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mTouche Technology Berhad (659395-X)

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MTOUCHE TECHNOLOGY BERHAD (656395-X)

ANNUAL REPORT 2006

ANNUAL REPORT 06

mTouche™

MTOUCHE TECHNOLOGY BERHAD
(656395-X)

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Board of Directors

Goh Eugene (Wu Eugene)	Chief Executive Officer (Chairman/Executive Director)
Tan Wee Meng (Chen Weiming)	Chief Operating Officer (Executive Director)
Ng Joo How	Independent Non-Executive Director
Lai Teik Kin	Independent Non-Executive Director
Lim Ee-Jin	Non Independent Non-Executive Director

Audit Committee

Ng Joo How *(Chairman)*
Independent Non-Executive Director

Lai Teik Kin *(Member)*
Independent Non-Executive Director

Tan Wee Meng (Chen Weiming) *(Member)*
Executive Director

Nominating Committee

Ng Joo How *(Chairman)*
Independent Non-Executive Director

Lai Teik Kin *(Member)*
Independent Non-Executive Director

Lim Ee-Jin *(Member)*
Non Independent Non-Executive Director

Remuneration Committee

Ng Joo How *(Chairman)*
Independent Non-Executive Director

Lai Teik Kin *(Member)*
Independent Non-Executive Director

Lim Ee-Jin *(Member)*
Non Independent Non-Executive Director

Company Secretary

Seow Fei San (MAICSA 7009732)
No.1 Jalan SS21/38
Damansara Utama
47400 Petaling Jaya
Selangor
Tel: 03-7803 1126

Law Mee Poo (MAICSA 7033423)
No. 11 Jalan Puteri 10/2
Bandar Puteri Puchong
47100 Puchong
Selangor
Tel: 03-7803 1126

Registered Office

312, 3rd Floor Block C Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor
Tel: 03-7803 1126
Fax: 03-7806 1387

Head Office

mTouche Technology Berhad
Suite 39-06 Menara Citibank
165 Jalan Ampang
50450 Kuala Lumpur
Tel: 03-2166 0018
Fax: 03-2166 1028
Website:www.mtouche.com

Group Auditors

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel: 03-7495 8000

Principal Banker

Public Bank Berhad

Share Registrar

Epsilon Registration Services Sdn Bhd
312, 3rd Floor Block C Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor
Tel: 03-7806 2116
Fax: 03-7806 1261

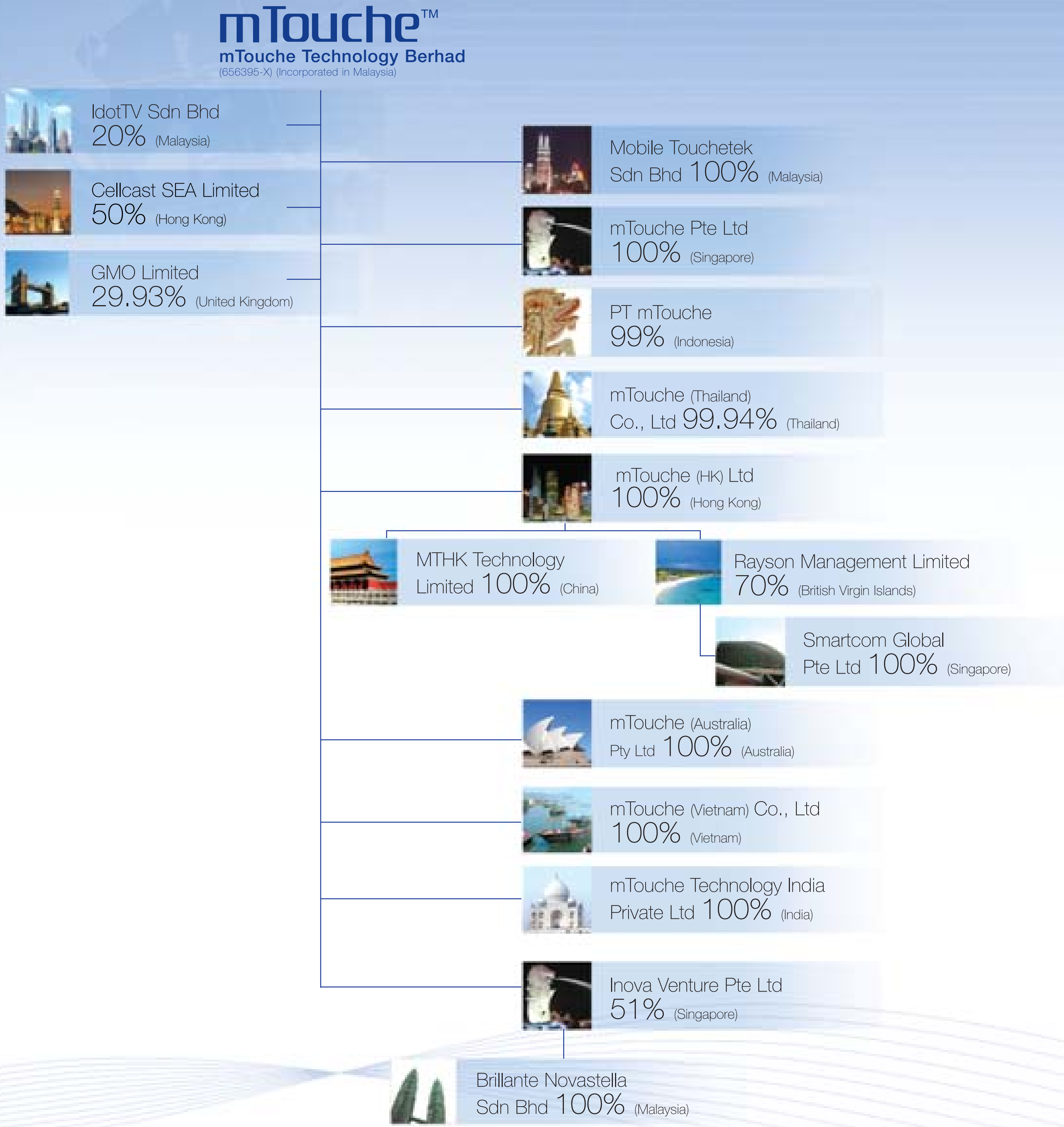
Sponsor

Public Investment Bank Berhad
(formerly known as PB Securities Sdn Bhd)
27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Tel: 03-2166 9382

Stock Exchange Listing

MESDAQ Market of Bursa Malaysia
Securities Berhad

Corporate Structure



Profile of Directors

GOH EUGENE (WU EUGENE)

Goh Eugene, a Singaporean, aged 32, was appointed as Chief Executive Officer of our Group on 17 June 2004. He was redesignated as Chairman and Chief Executive Officer of our Group with effect from 20 February 2006.

Eugene is the founder of mTouche Pte Ltd ("MPL") and a major contributor to the setup of MPL's pioneering operations in Singapore. Prior to the setting up, Eugene was the founder of Startech Interactive Pte Ltd ("Startech") which spun off MPL (mTouche, a division of Startech) subsequently in June 2002. Under his guidance, our Group has grown and expanded exponentially into other Southeast Asia markets such as Malaysia, Indonesia and Thailand with local offices set up in each country. With this, our Group is one of the mobile technology platform service providers in the world to have direct server connections to all MNOs in Singapore, Malaysia, Indonesia and Thailand, thereby offering an unparallel reach to regional customers.

Eugene graduated with a Bachelor of Business degree from the National University of Singapore in 1999.

TAN WEE MENG (CHEN WEIMING)

Tan Wee Meng, a Singaporean, aged 32, was appointed as the Chief Operating Officer on 17 June 2004. Wee Meng is co-founder of MPL and also member of the Audit Committee.

Wee Meng has several years of working experience in the mobile computing and telecommunications industry. Prior to setting up MPL, Wee Meng served as a Senior Account Manager with MobileOne Ltd (formerly known as MobileOne (Asia) Pte Ltd) (a listed mobile operator in Singapore) since November 2000 till July 2002. He defined and developed strategies for channel partnerships, mobile solutions and products dedicated to enterprise businesses. This included market development and marketing of 2.5G services and infrastructure for the corporate sector. He also pioneered the solution sales unit converging hardware, applications and wireless communications technologies via strategic alliances for the business marketplace.

Wee Meng graduated with an Upper Class Honours Degree in Accountancy from Nanyang Technological University in Singapore 1999.

NG JOO HOW

Ng Joo How, a Malaysian, aged 53, was appointed as our Independent Non-Executive Director on 20 May 2005. Joo How is also Chairman of Audit Committee, Nominating Committee and Remuneration Committee.

Joo How is a Fellow member of The Association of Chartered Certified Accountants, United Kingdom (ACCA). Joo How has been an active member of the Malaysian Chapter of ACCA and served as its vice president from July 1997 to August 1998. Currently, Joo How is the Delegate representing Malaysia in the International Assembly of ACCA in London. He is also a member of the Malaysian Institute of Accountants as a Chartered Accountant and the Malaysian Institute of Taxation.

Joo How has more than 25 years experience in the field of accountancy and tax practices. He has been in public practice as an Approved Company Auditor for more than 20 years and is currently the Managing Partner of Messrs. Ng Joo How & Wan, a Chartered Accountants firm.

Setting the pace for excellence

Profile of Directors (cont'd)

LAI TEIK KIN

Lai Teik Kin, a Malaysian, aged 43, was appointed as our Independent Non-Executive Director on 20 May 2005. Teik Kin is also member of Audit Committee, Nominating Committee and Remuneration Committee.

Teik Kin is a co-founder of Nova MSC Berhad which was listed on the MESDAQ Market in August 2003. He is the Chief Business Development officer for Nova MSC Group and Chief Executive Officer of novaHEALTH Pte Ltd. Teik Kin started his career in 1988 as a Supervisor with Baxter Healthcare in Malaysia. From 1989 to 1992, he joined the Housing & Development Board of Singapore as a surveyor. Thereafter, he left to be a Product Specialist of Siemens-Nixdorf Information Systems Pte Ltd from 1992 to 1993. From 1993 to 1995, he was employed in the IT Division of Siemens Pte Ltd as a Senior Consultant. Throughout these positions, he had been involved in the pre-sales, consultancy and project management of large-scale IT projects, both in Singapore and aboard. Among his achievements were the winning of major projects for the development of application software from Singapore's two major hospitals and a private hospital.

Teik Kin holds a Bachelor (Hons) in Surveying from the University of Queensland, Australia.

LIM EE-JIN

Lim Ee-Jin, a Malaysian, aged 38, was appointed as our Non-Independent Non-Executive Director on 30 December 2005. Ee-Jin is also member of Nominating Committee and Remuneration Committee.

Ee-Jin is currently the Associate Director of OSK Ventures International Berhad and is responsible for managing venture capital and private equity investment covering a spectrum of industrial and high technology and high growth companies. Prior to his current designation, he was an investment analyst with the OSK Investment Research division from 1996 to 2000. He began his career in 1995 as an assistant accountant with Sunmix Concrete Sdn Bhd, a subsidiary of Sunway building Technology Berhad.

Ee-Jin's directorship in other public listed companies includes eBworx Berhad and Green Packet Berhad.

Ee-Jin holds a Bachelor of Commerce (majoring in Accountancy) from the University of Birmingham, United Kingdom. He is also an affiliate member with the Association of Chartered Certified Accountants.

Notes to Directors' Profile

The Directors do not have directorship in other public listed companies in Malaysia, except as disclosed for Lim Ee-Jin.

The Directors do not have any family relationship with any Directors and/or substantial shareholders of the Company.

The details of the Directors' securities holdings are set out in the Analysis of Ordinary Shareholdings as at 31 March 2007.

The details of the Directors' attendance at Board and Audit Committee meetings are set out on page 13 of the Annual Report respectively.

None of the Directors have been convicted for any offences within the past ten (10) years other than traffic offences, if any. None of the Directors have any conflict of interest with the Company.

The composition of the Board of Directors complies with Rule 15.02 of the Listing Requirements whereby the number of Independent Directors exceeds 1/3 of the Board.

Chairman's Statement

On behalf of the Board of Directors of mTouche Technology Berhad, I have pleasure in presenting the Annual Report and Financial Statements of the Group and the Company for the financial year ended 31 December 2006.

FINANCIAL PERFORMANCE

For the year under review, the Group recorded revenue and profit before tax ("PBT") of RM53.3 million and RM24.8 million respectively, compared to revenue of RM36.5 million and PBT of RM12.2 million in the previous financial year.

The higher revenue and PBT was mainly attributed to the healthy growth of the existing companies within the Group and contribution from new subsidiaries acquired during the year namely Inova Venture Pte Ltd ("Inova") and Rayson Management Ltd ("Rayson"). These are in line with the Group's commitment to growing the existing companies and expand into new markets and products within the telecommunication industry.

In addition, the Group's PBT was boosted by the one-off gain on dilution of net assets of GMO Global Ltd and also due to share of profits from our new associate namely IdotTV Sdn. Bhd. ("IdotTV").

RESEARCH AND DEVELOPMENT ("R&D")

During the year, we have continued to support internal research and development initiatives to increase our competitive edge and add value to our service offering with approximately RM4.0 million being spent. The R&D initiatives include the development of Interactive Media Applications, Messaging Gateway Services and Content Development. We have also improved our mTouche's 3G Platform to provide streaming capabilities to our other products suites such as Press Platfrom, Media Platform, Radio Platform and TV Platform. This extension completes and makes all mTouche's application platforms 3G-enabled.

Moving forward, mTouche is looking at synergizing the power of the internet and mobile internet in providing one-stop high speed, high quality music and video portals for mobile users to download and stream content using these various platforms.

mTouche is also keeping a watchful eye on the upcoming 4G technologies which is predicted to mature in 2010. Initial planning and studies have already started to better prepare mTouche for the new frontier in wireless communications. In view of the above, the Group will continue to invest strategically in R&D activities.

BUSINESS DEVELOPMENT AND PROSPECT

Being in the mobile telecommunications market, where the industry growth is dependent on the Average Revenue per User, Mobile Penetration rate and development of new mobile technologies, the Group is well positioned to capitalise on new market opportunities by replicating its successful and proven models in new countries as well as introducing new innovative products in existing markets, hence increasing the Group's competitive edge.

During the year, the Group has expanded its operations into three new countries namely Australia, Vietnam and India. mTouche established its presence in Australia in May 2006 followed by mTouche (Vietnam) Co., Ltd. in September 2006 to take advantage of the huge potential growth of mobile subscribers. In Vietnam, it has since established connectivity arrangements with both GSM and CDMA local telecommunication companies. On the other hand, building on its strong partnership with the Cellcast group, mTouche Technology India Pvt Ltd was incorporated to provide Cellcast India Pvt Ltd with our messaging platform for their shows such as "Bid2Win" which is broadcasted every evening simultaneously across four of India's leading cable channels: Sony, SaharaOne, Zoom and Zee Punjabi. The Group is leveraging on the huge potential growth of mobile subscribers in both countries with a population of more than 80 million and 1 billion for Vietnam and India respectively.

Apart from geographical expansion strategy, the Group also strengthened its market and product position by successfully completed four major strategic acquisition in the form of 70% equity interest in Rayson, 51% equity interest in Inova, 20% equity interest in IdotTV and forming a joint venture company, Cellcast SEA Limited ("Cellcast SEA"). Inova subsequently acquired Brillante Novastella Sdn Bhd ("Brillante"), an information technology consultancy company providing support services to the telecommunication industry. Brillante has since obtained the Multimedia Super Corridor ("MSC") status in November 2006.

The acquisition of Rayson Group has enlarged mTouche's range of telecommunication products and services via Rayson Group's interactive and telephony services, and to enable mTouche to capitalise on the global trend of convergence in data and voice services riding on Rayson Group's full suite of interactive telephony services including SmartSIP, SmartDirect and SmartParty.

The successful acquisition of Inova, a leading telecommunication provider of high-end value added solutions and telecommunication switches to telecommunication related companies. enables mTouche Group to gain access to Inova's clientele and also offer an expanded portfolio of products and services to its existing telecommunication customers. mTouche also invest in IdotTV, an exclusive licensed holder of a Peer to Peer mobile solution named Airtime Transfer Solutions ("ATS"), which allows mobile prepaid users to share their airtime credits. Also, the product has been successfully launched with Celcom and recording more than 300,000 transactions on a daily basis.

mTouche and Cellcast (UK) Limited ("Cellcast UK") incorporated a joint venture company, Cellcast SEA in September 2006 to operate the Interactive Television ("ITV") business involving production, marketing and distribution of live interactive telephony-based the pay-to-play and pay-to-participate television programs to television station and broadcasters in the South East Asia region. The joint venture with Cellcast (UK) would pool together the resources and expertise of Cellcast (UK) and mTouche to operate the ITV business using Cellcast Group's ITV formats and solutions and mTouche's mobile messaging technologies and messaging platforms. The ITV show called

BUSINESS DEVELOPMENT AND PROSPECT (CONT"D)

"Insomnia" was launched in Malaysia and is expected to roll out in the region. New breeds and formats of interactive show are also in the pipeline. This collaboration and the production of ITV marked the Group's move further upstream into mobile wireless value-added services for interactive broadcasting formats.

The Group also made new investments by taking up 10% strategic stake in Cellcast PLC ("Cellcast") ("AIM: CLTV") in November 2006. Cellcast is a leading international provider of participation television applications and interactive mobile content in the fast-growing multi-platform digital entertainment sector. Headquartered in London, with associated operations in Paris, Beirut, Mumbai, Miami, Hong Kong and Sao Paulo, Cellcast's applications and programming are distributed on the Sky Digital and Freeview platforms in the United Kingdom ("UK") and broadcast partners including Canalt+ in France; STB in Ukraine; Future TV, Dubai Television and Rotana TV in the Middle East; Sony and Sahara TV in India; TVS-3 in China; TV3 in Malaysia; and Rede TV and Banderantes in Brazil. The acquisition presents the opportunity for mTouche to invest in an interactive television company which is expected to have good growth opportunity and to tap into the broad network and customer base of Cellcast, which in turn will present future growth opportunity for mTouche. A 24-hours ITV which is first in the world, with user-Generated Content ("UGC") show called "Sumo TV" has also been launched in the UK and is fast gaining popularity.

In addition, GMO Limited ("GMOL"), an associate of mTouche was admitted on the Alternative Investment Market of the London Stock Exchange ("AIM") in September 2006. This enables GMOL and its subsidiaries ("GMOL Group") to take advantage of the opportunities for selective strategic acquisitions of, and joint ventures with, complementary businesses in the Wireless Value Added Services ("WVAS") sectors in China. The Group is working towards becoming a leading Media and Mobile Transaction Network in China.

As part of GMOL's expansion strategy, it completed the acquisition of 20% interest in Wisdom Choice Investments Ltd. ("Wisdom Choice") in January 2007. Wisdom Choice is the exclusive service and technology provider of ColorComm Software Technology Group ("ColorComm"), a market leader in WVAS and an interactive media company in China. The acquisition of Wisdom Choice will strengthen GMOL's presence in the WVAS market in China, enabling it to reach out to more than 400 million mobile phone subscribers and more than 1 billion television viewers. This is underpinned by the synergies between the two businesses which will enable GMOL to accelerate and benefit from the convergence of mobile, television and other media within the WVAS value chain.

With the above mentioned strategic acquisitions and alliances, we have built a global footprint and strengthened our presence in the region, including Malaysia, Singapore, Indonesia, Thailand, Hong Kong, China, Vietnam, Australia, India and United Kingdom. The Group will continue to focus on its core activities and continue to leverage on our global presence and network to secure a leading mobile player position in the world.

2007 will be another year of strong and exciting growth.

Statement of Corporate Governance

THE IMPORTANCE OF CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders value and the financial performance of mTouche Group. To this end, the Board fully supports the Malaysian Code on Corporate Governance ("the Code").

With this in mind, measures and efforts have always been taken to ensure as far as practicable, the adoption and the implementation of the Code's Best Practices and the compliance with Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirement throughout the Company.

The Board is pleased to outline the key principles and best practices of the Company, taken as a whole, which forms the system of governance adopted by the Board.

A. DIRECTORS

The Board

An effective Board with diverse backgrounds leads and controls the Company to ensure capable management. It resolves key business matters and corporate policies except those reserved for shareholders as provided in the Articles of Association in accordance with the Companies Act, 1965 and other Regulations.

The Board consisting of competent individuals with appropriate specialised skills and knowledge successfully direct, supervise and manage the Company's business as a going concern, which encompass issues of setting strategic business directions, overseeing conducts and affairs, developing shareholders and investors relations and communications, reviewing the system of internal control and succession planning.

The Board takes full responsibility for the performance of the Company. The Board also approves all appointments of directors to the Board and key executive appointments; and monitors and reviews executive succession planning.

The Board has delegated specific responsibilities to the sub-committee namely the Audit Committee, which was established with specific terms of references. This committee has the authority to examine particular issues for reporting to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board of Directors.

Board Composition and Balance

The Board currently has five members, comprising two (2) Executive Directors, two (2) Independent Non-Executive Directors and One (1) Non-Independent Non-Executive Director. Together, the Directors bring a wide range of business and financial experience relevant to a large, expanding group. A brief description of the background of each Director is presented on pages 4 and 5.

A. DIRECTORS (CONT'D)

Board Composition and Balance (cont'd)

The presence of Independent Non-Executive Directors fulfils a pivotal role in corporate accountability with their unbiased and independent views, advice and judgement to take into account the long term interests of the shareholders, employees, customers and the Company's business associates, which ensure that no one individual dominates the decisions of the Board. The Board considers its current size adequate, given the present scope of work and nature of the Company's business operations and the investment of the minority shareholders is fairly reflected in the Board representation.

Balance in the Board is achieved and maintained where the members of the Board comprise professionals and entrepreneurs, with a mix of industrial knowledge, board business and commercial experience. Such balance enables the Board to provide effective leadership in all aspects, as well as maintaining high standards of governance and integrity in making decisions relating to strategy, performance, internal control, investors' relation and human resource management.

Board Meetings

The Board meets on a quarterly basis, with additional meetings convened as and when necessary. The Chief Executive Officer, with the assistance of the Management and the Company Secretary, is responsible for setting the agenda for Board Meetings.

The Board met six (6) times during the financial year 31 December 2006. The meeting attendance record of the Directors is as follows:-

Director	Position	Attendance	%
Eugene Goh	Chief Executive Officer	6/6	100
Tan Wee Meng	Chief Operating Officer	5/6	83
Ng Joo How	Independent Non-Executive Director	6/6	100
Lai Teik Kin	Independent Non-Executive Director	6/6	100
Lim Ee-Jin	Non-Independent Non-Executive Director	6/6	100

Supply of Information

The Board recognises that the decision making process is highly contingent on the strength of information furnished. As such, Directors have unrestricted access to any information pertaining to the Company.

The Chairman plays a key role in ensuring that all Directors have full and timely access to information with Board papers circulated at least three (3) working days in advance of Board meetings. This ensures that Directors have sufficient time to appreciate issues deliberated at the Board meeting and expedites the decision making process.

Every Director has unhindered access to advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board while the terms of appointment permit her removal and appointment only by the Board as a whole.

A. DIRECTORS (CONT'D)

Supply of Information (cont'd)

The Audit Committee plays a pivotal role in channeling pertinent operational and assurance related issues to the Board. The Committee partly functions as a filter to ensure that only pertinent matters are tabled at the Board level.

Directors' Training

The Directors are endeavoured to attend relevant training programmes, seminars and courses in enhancing themselves for the purpose of disposing their duties.

Appointment of Directors and Re-election

In line with the Best Practices of the Code, the Board has set up a Nominating Committee on 14 February 2007.

Majority of the Nominating Committee are Independent Directors. The Nominating Committee is responsible for identifying and recommending to the Board suitable nominees for appointment to the Board and Board Committees. A mix of skills and other qualities of the nominees will be considered by the Nominating Committee before recommending any nominees to the Board. The terms of reference of the Committee are set out in pages 19 to 20.

The Articles of Association provide that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting. The Directors to retire in each year are the Directors who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. The election of each Director is voted on separately. To assist shareholders to renew their decision, sufficient information such as personal profile, meetings attendance and the shareholdings in the Group of each Director standing for election are furnished in a separate statement accompanying the Notice of the AGM.

Remuneration

A Remuneration Committee was established on 14 February 2007. Majority of the Remuneration Committee are Non-Executive Directors. The Remuneration Committee was established to assist the Board in determining the Executive Directors' remuneration. The remuneration of Non-Executive Directors shall be determined by the Board of Directors as a whole, subject to the shareholders' approval. The terms of reference of the Committee are set out in page 20.

B. SHAREHOLDERS

The policy of the Company is to maintain an active dialogue with its shareholders with the intention of giving shareholders as clear and complete picture of the Company's performance and position as possible.

The key element of the Company's dialogue with its shareholders is the opportunity to gather views of, and answers from, both private and institutional shareholders on all issues relevant to the Company at the AGM. At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate in question and answer session both about the resolutions being proposed and about the Group's operations in

B. SHAREHOLDERS (CONT'D)

general. Executive Directors and, where appropriate, the Chairman of the Audit Committee, are available to response to the shareholders' questions during the meeting. Where appropriate, the Chairman of the Board will undertake to provide the questioner with a written answer to any significant question that cannot be readily answered on the spot.

However, any information that may be regarded as undisclosed material information about the Group will not be given.

C. ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board aims to provide and present a fair and meaningful assessment of the Group's financial performance and prospects to the shareholders, primarily through the annual financial statements, quarterly and half year announcements of results as well as the Chairman's statement and review of operations in the annual report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the accuracy, adequacy and completeness of its financial reporting.

Statement of Internal Control

The Statement on Internal Control furnished on page 14 of the Annual Report provides an overview on the state of internal controls within the Group.

Relationship with Auditors

The Company's external auditors, Messrs Ernst & Young has continued to report to shareholders of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements. From time to time, the Auditors highlight to the Audit Committee and Board of Directors on matters that require Board's attention.

The role of the Audit Committee in relation to the external auditors is set out in the Audit Committee Report on page 13 of the Annual Report.

Directors' Responsibility Statement

The Board is responsible for ensuring that the financial statements of the Group give a true and fair view of the state of affairs of the Group and of the Company as at the end of each financial year and of their profit or loss and cashflows for that year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgements and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Audit
Committee Report

Membership

The present members of the Audit Committee (the "Committee") comprise:

Ng Joo How	Chairman, Independent Non-Executive Director
Lai Teik Kin	Independent Non-Executive Director
Tan Wee Meng	Chief Operating Officer, Executive Director

Meetings

The Committee convened five (5) meetings during the financial year 31 December 2006. Details of the attendance are as follows:-

Director	Attendance	%
Ng Joo How	5/5	100
Lai Teik Kin	5/5	100
Tan Wee Meng	4/5	80

The Chief Executive Officer, other members of the Board and senior management attended the meetings upon invitation by the Chairman of the Committee.

The meetings were appropriately structured throughout the use of agendas, which were distributed to members with sufficient notification.

Summary of activities

The Committee carried out its duty in accordance with its Terms of Reference.

During the financial year ended 31 December 2006, the Committee reviewed the quarterly results and financial statements for recommendation to the Board of Directors.

Terms of reference

The terms of reference of the Committee are set out on pages 16 to 19.

Statement
of Internal Control

The Malaysian Code on Corporate Governance requires the Board of Directors to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Board is pleased to provide the following statement on the nature and scope of the Group's internal controls.

BOARD RESPONSIBILITY

The Board is ultimately responsible for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers, inter alia, financial, organisational, operational and compliance controls.

SYSTEM OF INTERNAL CONTROL

The key elements of the Group's internal control system include:

- Established management structure of the Group with clearly defined lines of responsibilities and appropriate levels of delegation and authority.

- Defined authorisation procedures for major operational and financial functions including sales, purchases, receipts, payment and capital expenditures which are subject to continuous review throughout the year.

- Weekly departmental meetings are held to review, discuss and resolve operational and administrative issues.

- Quarterly senior management meetings are held to monitor key operational and strategic business development together with financial performance of the Group.

- A Group risk management framework has been implemented where key business risks faced by respective countries are continuously being identified, assessed, monitored and managed consistently. This framework ensures that appropriate procedures are put in place to mitigate the exposure of those risks.

- Policies and procedures for key business and financial processes have been continuously reviewed by the directors to promote efficiency and accountability.

In view of the Group's current business activities, the Board is of the view that the above monitoring and reporting processes which have been put in place, provide an adequate form of check and balance. Nevertheless, the Board recognises that the system must continuously evolve and improve to support the Group's business activities. The Board intends to set up an internal audit function within the Group in year 2007.

Additional
Compliance Information

1) UTILISATION OF PROCEEDS

The Company had completed a private placement exercise on 16 August 2006 and raised approximately RM23 million. As at 31 December 2006, the Company has utilised approximately 53.5% of the proceeds raised for investment in subsidiaries and associated companies.

2) SHARE BUY-BACK

The Company does not have a scheme to buy-back its own shares.

3) OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company does not have options, warrants or convertible securities.

4) DEPOSITORY RECEIPTS

The Company did not sponsor any depository receipts programme during the financial year ended 31 December 2006.

5) SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company and/or its subsidiaries during the financial year.

6) VARIATION IN RESULTS

There was no variance of 10% or more between the audited results for the financial year ended 31 December 2006 and the unaudited results previously announced by the Company. The Company did not release any profit estimate, forecast or projections for the financial year.

7) PROFIT GUARANTEE

There was no profit guarantee given by the Company during the financial year 31 December 2006.

8) MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors and major shareholders has any material contract with the Company and/or its subsidiary companies during the financial year ended 31 December 2006.

Terms of Reference

AUDIT COMMITTEE

Primary Purposes

The Audit Committee shall:

1. Provide assistance to the Board in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for the Company and all its wholly and majority owned subsidiaries ("Group").

2. Improve the Group's business efficiency, the quality of the accounting function, the system of internal controls and audit function and strengthen the confidence of the public in the Group's reported results.

3. Maintain through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as internal auditors.

4. Enhance the independence of both the external and internal auditors function through active participation in the audit process.

5. Strengthen the role of the Independent Directors by giving them a greater depth of knowledge as to the operations of the Company and the Group through their participation in the Committee.

6. Act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to the management of the Group.

Composition

The Audit Committee shall be appointed by the directors from amongst themselves which fulfils the following requirements:-

1. The Audit Committee shall be composed of no fewer than three (3) members;

2. A majority of the Audit Committee must be Independent Directors;

3. At least one (1) member of the Audit Committee:

   (i) must be a member of the Malaysian Institute of Accountants; or

   (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:

      (aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1965; or

      (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

   (iii) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

Composition (cont'd)

4. The Chairman of the Audit Committee shall be an Independent Director;

5. The Chief Executive Officer or alternate director shall not be a member of the Audit Committee; and

6. The Managing Director shall not be a member of the Audit Committee.

Authority

The Audit Committee was formed under Chapter 15, Part C, Rule 15.09 of the Bursa Securities Listing Requirements for MESDAQ Market ("MMLR"). The Audit Committee shall in accordance with the procedure determined by the Board and at the cost of the Company:-

(a) have explicit authority to investigate any matter within its terms of reference;

(b) have the resources which are required to perform its duties;

(c) have full and unrestricted access to any information which it requires in the course of performing its duties;

(d) have unrestricted access to the Chief Executive Officer and the Chief Financial Officer;

(e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);

(f) be able to obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and

(g) be able to convene meetings with the external auditors excluding the attendance of the executive members of the Company, whenever deemed necessary.

Functions and Duties

The functions of the Audit Committee are as follows:-

1. To review:

    a) with the external auditors:

        i) the external audit plan,
        ii) the evaluation of the system of internal controls; and
        iii) the external audit report.

    b) the assistance given by the Company's employees to the external auditors;

    c) the adequacy of the scope, functions and resources of the internal audit functions and that it has the necessary authority to carry out its works;

Functions and Duties (cont'd)

d) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

e) the quarterly results and year end financial statements, prior to the approval by the board of directors, focusing particularly on:

- changes in or implementation of major accounting policy changes;
- significant and unusual events; and
- compliance with accounting standards and other legal requirements;

f) any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

g) any letter of resignation from the external auditors of the Company; and

h) whether there is any reason (supported by grounds) to believe that the external auditors is not suitable for reappointment; and

2. To recommend the nomination of a person or persons as external auditors.

Retirement and Resignation

In the event of any vacancy in the Audit Committee resulting in the non-compliance of sub-Rule 15.09(1) of the MMLR, the Company shall fill in the vacancy within three (3) months.

Meetings

1. The committee shall meet at least four (4) times in a year or more frequently as circumstances required with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.

2. Quorum shall be by majority of the members who are Independent Directors.

3. Upon the request of any member of the Committee, the external auditors or the internal auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider matters which should be brought to the attention of the directors or shareholders.

4. The external auditors and internal auditors have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee.

5. The Committee may invite any Board member or any member of management or any employee of the Company who the Committee thinks fit to attend its meetings to assist and to provide pertinent information as necessary.

6. The Company must ensure that other directors and employees attend any particular Audit Committee meeting only at the Audit Committee's invitation, specific to the relevant meeting.

Procedures of Audit Committee
The Audit Committee may regulate its own procedures, in particular:

(a) the calling of meetings;

(b) the notice to be given of such meetings;

(c) the voting and proceedings of such meetings;

(d) the keeping of minutes; and

(e) the custody, production and inspection of such minutes.

Secretary
The Company Secretary or other appropriate senior official shall be the Secretary to the Audit Committee.

NOMINATING COMMITTEE

Members
The Committee shall be appointed by the Board of Directors which shall comprise exclusively of Non-Executive Directors, the majority of whom shall be Independent Directors.

The Board of Directors must review annually the term of office and performance of the Committee and each of its members to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

Chairman
The Chairman shall be elected by the Committee from among their members.

Functions
The Committee shall:-

i. recommend to the Board of Directors the nomination of a person or persons to be a Board member(s) by shareholder(s) or Director(s);
ii. recommend to the Board, directors to fill the seats on board committees;
iii. assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of each existing individual director and thereafter, recommend its findings to the Board; and
iv. review the required mix of skills and experience and other qualities, including core competencies which Non-Executive Directors should bring to the Board and thereafter, recommend its findings to the Board.

NOMINATING COMMITTEE (CONT'D)

Structures and Procedures
The Committee should meet regularly, with due notice of issues to be discussed and should record its conclusion in discharging its duties and responsibilities. The quorum shall be 2 members who shall be the Independent Directors.

The Committee should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Committee is firmly in its hands.

Access to Advice
The Committee shall have access to independent professional advice on nomination matters both within the Group and from external professionals at the Company's expense.

REMUNERATION COMMITTEE

Members
The Committee shall be appointed by the Board of Directors and shall consist wholly or mainly Non-Executive Directors.

The Board of Directors must review annually the term of office and performance of the Committee and each of its members to determine whether such Committee and members have carried out their duties in accordance with their terms of reference.

Chairman
The Chairman shall be elected by the Committee from among their members.

Function
The Committee shall recommend to the Board, the remuneration packages of Executive Chairman, Managing Directors and Executive Directors of the Company in all its forms, drawing from outside advice as necessary.

The remuneration packages of Non-Executive Directors should be determined by the Board of Directors as a whole subject to the shareholders' approval.

Structures and Procedures
The Committee should meet regularly, with due notice of issues to be discussed and should record its conclusion in discharging its duties and responsibilities. The quorum shall be 2 members of non-executive directors.

The Committee should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Committee is firmly in its hands.

Access to Advice
The Committee shall have access to independent professional advice on remuneration matters both within the Group and from external professionals at the Company's expense.

Financial Statements

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, research and development of existing and new technologies in the field of information technology and telecommunications, and distribution and sale, installation and service of telecommunications and multimedia systems, and related activities.

The principal activities of the subsidiaries are shown in Note 14 to the financial statements. There have been no significant changes in the nature of the principal activities during the year.

RESULTS

	GROUP RM	COMPANY RM
Profit for the year	24,482,433	4,164,874
Attributable to:		
Equity holders of the Company	20,628,536	4,164,874
Minority interests	3,853,897	-
	24,482,433	4,164,874

There were no material transfers to or from reserves or provisions during the year other than as disclosed in the financial statements.

In the opinion of the directors, the results of the operations of the Group and of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous year. The directors do not recommend the payment of dividend for the current year.

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Goh Eugene (Wu Eugene)
Tan Wee Meng (Chen Weiming)
Lai Teik Kin
Ng Joo How
Lim Ee-Jin

DIRECTORS' BENEFITS

Neither at the end of the year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the Company as shown in Note 9 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the year in shares in the Company and its related corporations during the year were as follows:

	Number of Ordinary Shares of RM0.10 Each			
	1.1.2006	Acquired	Sold	31.12.2006
The Company				
Direct Interest:				
Goh Eugene (Wu Eugene)	24,139,300	1,147,200	(1,600,000)	23,686,500
Tan Wee Meng (Chen Weiming)	15,425,000	-	(3,000,000)	12,425,000
Ng Joo How	30,000	-	(28,000)	2,000

	Number of Ordinary Shares of USD10 Each			
	1.1.2006	Acquired	Sold	31.12.2006
Subsidiary - PT mTouche				
Direct Interest:				
Goh Eugene (Wu Eugene)	30	-	-	30

	Number of Ordinary Shares of THB100 Each			
	1.1.2006	Acquired	Sold	31.12.2006
Subsidiary - mTouche (Thailand) Co., Ltd				
Direct Interest:				
Tan Wee Meng (Chen Weiming)	1	-	-	1

	Number of Ordinary Shares of INR10 Each			
	1.1.2006	Acquired	Sold	31.12.2006
Subsidiary - mTouche Technology India Private Ltd.				
Direct Interest:				
Tan Wee Meng (Chen Weiming)	-	100	-	100

Goh Eugene (Wu Eugene) by virtue of his interest in shares in the Company is also deemed interested in shares of all the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the year had any interest in shares in the Company or its related corporations during the year.

ISSUE OF SHARES

During the year, the issued and fully paid ordinary share capital of the Company was increased from RM8,250,000 comprising 82,500,000 ordinary shares of RM0.10 each to RM9,075,000 comprising 90,750,000 ordinary shares of RM0.10 each on completion of the Private Placement as disclosed in Note 21(d) to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

    (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that no provision for doubtful debts was necessary; and

    (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

    (i) it necessary to write off any bad debts or to make any provision for doubtful debts in respect of these financial statements; and

    (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

    (i) any charge on the assets of the Group and of the Company which has arisen since the end of the year which secures the liabilities of any other person; or

    (ii) any contingent liability of the Group and of the Company which has arisen since the end of the year.

OTHER STATUTORY INFORMATION (CONT'D)

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the year in which this report is made.

SIGNIFICANT EVENTS

During the year, the Group acquired and incorporated new subsidiaries, acquired interests in an associate and a jointly controlled entity. These have been disclosed in Notes 14, 15 and 16 to the financial statements. The principal activities are disclosed in the respective notes.

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2007.

Goh Eugene (Wu Eugene)

Tan Wee Meng (Chen Weiming)

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, **Goh Eugene** (Wu Eugene) and **Tan Wee Meng** (Chen Weiming), being two of the directors of **mTouche Technology Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 28 to 77 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 30 March 2007.

Goh Eugene (Wu Eugene)

Tan Wee Meng (Chen Weiming)

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, **Lau Bik Yong**, being an officer primarily responsible for the financial management of **mTouche Technology Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 28 to 77 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed **Lau Bik Yong**
at Kuala Lumpur in the Federal Territory
on 30 March 2007

Lau Bik Yong

Before me,

SOH AH KAU
W315
Commissioner for Oaths

REPORT OF THE AUDITORS

to the Members of mTouche Technology Berhad (Incorporated in Malaysia)

We have audited the financial statements set out on pages 28 to 77. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements, and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of:

  (i) the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
AF: 0039
Chartered Accountants

George Koshy
No. 1846/07/07(J)
Partner

Kuala Lumpur, Malaysia
30 March 2007

Income Statements

For the Year Ended 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Revenue	3	53,330,336	36,537,694	6,419,634	16,921,402
Cost of sales	4	(22,067,884)	(20,271,643)	-	-
Gross profit		31,262,452	16,266,051	6,419,634	16,921,402
Other income	5	251,388	65,422	36,586	40,386
Administrative expenses		(9,183,272)	(4,329,195)	(1,724,914)	(1,013,946)
Other expenses		(5,847,396)	(1,994,177)	(556,188)	(229,437)
Operating profit		16,483,172	10,008,101	4,175,118	15,718,405
Finance costs	6	(28,140)	(10,406)	-	-
Share of results of associates		1,773,815	-	-	-
Share of results of jointly controlled entities		1,598,671	2,163,175	-	-
Disposal of interest in an associate		4,950,465	-	-	-
Profit before tax	7	24,777,983	12,160,870	4,175,118	15,718,405
Income tax expense	10	(295,550)	413,419	(10,244)	(11,308)
Profit for the year		24,482,433	12,574,289	4,164,874	15,707,097
Attributable to:					
Equity holders of the Company		20,628,536	12,574,289	4,164,874	15,707,097
Minority interests		3,853,897	-	-	-
		24,482,433	12,574,289	4,164,874	15,707,097
Earnings per share attributable to equity holders of the Company (sen)	11	24.09	18.77		

The accompanying notes form an integral part of the financial statements.

Balance Sheets

As at 31 December 2006

	Note	Group		Company	
		2006	2005	2006	2005
		RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Plant and equipment	12	2,968,108	2,113,421	7,402	10,193
Intangible assets	13	14,903,593	387,156	933,332	-
Investments in subsidiaries	14	-	-	22,077,137	7,041,843
Investments in associates	15	24,840,657	-	15,789,510	-
Investments in jointly controlled entities	16	-	2,163,326	23,651	151
Other investments	17	3,201,892	-	3,201,892	-
Deferred tax assets	27	599,649	564,108	-	-
		46,513,899	5,228,011	42,032,924	7,052,187
Current Assets					
Trade receivables	18	33,112,442	18,118,466	27,372,844	23,401,402
Other receivables	19	3,971,089	7,250,944	6,323,410	5,739,545
Tax recoverable		28,022	275,279	8,998	1,292
Cash and bank balances	20	12,707,389	12,988,210	391,311	11,904,449
		49,818,942	38,632,899	34,096,563	41,046,688
TOTAL ASSETS		96,332,841	43,860,910	76,129,487	48,098,875

The accompanying notes form an integral part of the financial statements.

Balance Sheets (cont'd)

As at 31 December 2006

	Note	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	21	9,075,000	8,250,000	9,075,000	8,250,000
Share premium		37,631,050	17,056,360	37,631,050	17,056,360
Reserve on consolidation	13	-	721,558	-	-
Other reserves	22	(1,316,347)	46,909	-	-
Retained earnings	23	33,237,370	11,887,276	23,137,944	18,973,070
		78,627,073	37,962,103	69,843,994	44,279,430
Minority interests		4,314,892	-	-	-
Total equity		82,941,965	37,962,103	69,843,994	44,279,430
Non-current Liabilities					
Hire purchase payables	24	231,820	328,205	-	-
Current Liabilities					
Hire purchase payables	24	104,681	194,856	-	-
Trade payables	25	4,427,557	3,322,376	-	-
Other payables	26	8,448,275	2,053,370	6,285,493	3,819,445
Income tax payable		178,543	-	-	-
		13,159,056	5,570,602	6,285,493	3,819,445
Total liabilities		13,390,876	5,898,807	6,285,493	3,819,445
TOTAL EQUITY AND LIABILITIES		96,332,841	43,860,910	76,129,487	48,098,875

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2006

	Note	Share Capital	Share Premium	Reserve on Consolidation (Note 13)	Other Reserves (Note 22)	Retained Earnings (Note 23)	Total	Minority Interests	Total Equity
		← Attributable to Equity Holders of the Company				→			
			← Non-Distributable		→	Distributable			
		RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2005		3,733,000	58	721,558	62,608	1,579,987	6,097,211	-	6,097,211
Foreign currency translation representing expense recognised directly in equity	22	-	-	-	(15,699)	-	(15,699)	-	(15,699)
Profit for the year		-	-	-	-	12,574,289	12,574,289	-	12,574,289
Total recognised income and expense for the year		3,733,000	58	721,558	46,909	14,154,276	18,655,801	-	18,655,801
Issue of ordinary shares:									
Bonus Issue	21(b)	2,267,000	-	-	-	(2,267,000)	-	-	-
Public issue and Private Placement	21(c)&(d)	2,250,000	19,500,000	-	-	-	21,750,000	-	21,750,000
Transaction costs	21(c)&(d)	-	(2,443,698)	-	-	-	(2,443,698)	-	(2,443,698)
At 31 December 2005		8,250,000	17,056,360	721,558	46,909	11,887,276	37,962,103	-	37,962,103

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity (cont'd)

for the Year Ended 31 December 2006

	Note	Share Capital	Share Premium	Reserve on Consolidation (Note 13)	Other Reserves (Note 22)	Retained Earnings (Note 23)	Total	Minority Interests	Total Equity
		← Attributable to Equity Holders of the Company →							
			← Non-Distributable		→	Distributable			
		RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2006		8,250,000	17,056,360	721,558	46,909	11,887,276	37,962,103	-	37,962,103
Effects of adopting FRS 3	2.3(a)	-	-	(721,558)	-	721,558	-	-	-
At 1 January 2006 (restated)		8,250,000	17,056,360	-	46,909	12,608,834	37,962,103	-	37,962,103
Gain on deemed disposal of investment in an associate		-	-	-	53,585	-	53,585	-	53,585
Foreign currency translation	22	-	-	-	95,374	-	95,374	-	95,374
Share of post acquistion reserves of an associate		-	-	-	(1,512,215)	-	(1,512,215)	-	(1,512,215)
Net income and expense recognised directly in equity		8,250,000	17,056,360	-	(1,316,347)	12,608,834	36,598,847	-	36,598,847
Profit for the year		-	-	-	-	20,628,536	20,628,536	3,853,897	24,482,433
Total recognised income and expense for the year		8,250,000	17,056,360	-	(1,316,347)	33,237,370	57,227,383	3,853,897	61,081,280
Issue of ordinary shares through Private Placement	21(d)	825,000	21,862,500	-	-	-	22,687,500	-	22,687,500
Expenses relating to Private Placement	21(d)	-	(1,287,810)	-	-	-	(1,287,810)	-	(1,287,810)
Acquisitions of subsidiaries	14	-	-	-	-	-	-	460,995	460,995
At 31 December 2006		9,075,000	37,631,050	-	(1,316,347)	33,237,370	78,627,073	4,314,892	82,941,965

The accompanying notes form an integral part of the financial statements.

Company Statement of Changes in Equity

for the Year Ended 31 December 2006

	Note	Share Capital RM	Non-distributable Share Premium RM	Distributable Retained Earnings (Note 23) RM	Total Equity RM
At 1 January 2005		3,733,000	58	5,532,973	9,266,031
Issue of ordinary shares:					
Bonus Issue	21(b)	2,267,000	-	(2,267,000)	-
Public Issue and Private Placement	21(c)&(d)	2,250,000	19,500,000	-	21,750,000
Transaction costs	21(c)&(d)	-	(2,443,698)	-	(2,443,698)
Profit for the year, representing recognised income for the year		-	-	15,707,097	15,707,097
At 31 December 2005		8,250,000	17,056,360	18,973,070	44,279,430
At 1 January 2006		8,250,000	17,056,360	18,973,070	44,279,430
Issue of ordinary shares through Private Placement	21(d)	825,000	21,862,500	-	22,687,500
Expenses relating to Private Placement	21(d)	-	(1,287,810)	-	(1,287,810)
Profit for the year, representing recognised income for the year		-	-	4,164,874	4,164,874
At 31 December 2006		9,075,000	37,631,050	23,137,944	69,843,994

The accompanying notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

For the Year Ended 31 December 2006

	2006 RM	2005 RM
Cash Flows From Operating Activities		
Profit before tax	24,777,983	12,160,870
Adjustments for:		
Amortisation of intangible assets	596,940	-
Depreciation of plant and equipment	706,643	334,172
Loss on disposals of plant and equipment	-	14,022
Plant and equipment written-off	-	364
Short term accumulating compensated absences	(15,546)	52,096
Interest expense	28,140	10,406
Interest income	(56,132)	(47,363)
Share of results of associates	(1,773,815)	-
Share of results of jointly controlled entities	(1,598,671)	(2,163,175)
Disposal of interest in an associate	(4,950,465)	-
Operating profit before working capital changes	17,715,077	10,361,392
Increase in receivables	(3,928,267)	(18,129,431)
(Decrease)/increase in payables	(5,130,123)	3,265,692
Cash generated from/(used in) operations	8,656,687	(4,502,347)
Taxes paid	(281,315)	(80,058)
Net cash generated from/(used in) operating activities	8,375,372	(4,582,405)
Cash Flows From Investing Activities		
Acquisitions of subsidiaries (Note 14)	(11,487,708)	(583,200)
Acquisitions of associates	(14,469,510)	-
Investment in a jointly controlled entity	(23,500)	(151)
Purchase of other investment	(3,201,892)	-
Purchase of plant and equipment	(733,986)	(1,547,962)
Proceeds from disposal of plant and equipment	19,281	200
Interest received	56,132	44,158
Net cash used in investing activities	(29,841,183)	(2,086,955)
Cash Flows From Financing Activities		
Proceeds from issuance of shares	22,687,500	21,750,000
Expenses relating to issuance of shares	(1,287,810)	(2,443,698)
Interests paid	(28,140)	(10,406)
Repayment of hire purchase	(186,560)	(100,566)
Net cash generated from financing activities	21,184,990	19,195,330
Net (decrease)/increase in cash and cash equivalents	(280,821)	12,525,970
Cash and cash equivalents at beginning of year	12,988,210	462,240
Cash and cash equivalents at end of year (Note 20)	12,707,389	12,988,210

The accompanying notes form an integral part of the financial statements.

Company Cash Flow Statement

For the Year Ended 31 December 2006

	2006 RM	2005 RM
Cash Flows From Operating Activities		
Profit before tax	4,175,118	15,718,405
Adjustments for:		
Amortisation of intangible assets	116,668	-
Depreciation of plant and equipment	2,791	1,163
Short term accumulating compensated absences	(4,252)	32,521
Interest income	(36,586)	(40,386)
Operating profit before working capital changes	4,253,739	15,711,703
Increase in receivables	(4,555,307)	(22,093,173)
Decrease in payables	(2,393,198)	(477,235)
Cash generated used in operations	(2,694,766)	(6,858,705)
Taxes paid	(17,950)	(12,600)
Net cash used in operating activities	(2,712,716)	(6,871,305)
Cash Flows From Investing Activities		
Acquisition of a subsidiary (Note 14)	(9,395,612)	(600,000)
Purchase of investments in subsidiaries	(3,146,184)	-
Acquisitions of associates	(14,469,510)	-
Investment in a jointly controlled entity	(23,500)	(151)
Purchase of other investment	(3,201,892)	-
Purchase of plant and equipment	-	(11,356)
Interest received	36,586	37,181
Net cash used in investing activities	(30,200,112)	(574,326)
Cash Flows From Financing Activities		
Proceeds from issuance of shares	22,687,500	21,750,000
Expenses relating to issuance of shares	(1,287,810)	(2,443,698)
Net cash generated from financing activities	21,399,690	19,306,302
Net (decrease)/increase in cash and cash equivalents	(11,513,138)	11,860,671
Cash and cash equivalents at beginning of year	11,904,449	43,778
Cash and cash equivalents at end of year (Note 20)	391,311	11,904,449

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2006

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at No. 312, 3rd Floor, Kelana Square, Jalan SS7/26, Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are investment holding, research and development of existing and new technologies in the field of information technology and telecommunications, and distribution and sale, installation and service of telecommunications and multimedia systems, and related activities.

The principal activities of the subsidiaries are as shown in Note 14.

There have been no significant changes in the nature of the principal activities during the year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 March 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as decribed fully in Note 2.3.

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(b) Basis of Consolidation (cont'd)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(c) Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(c) Associates (cont'd)

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(d) Jointly Controlled Entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.2(c).

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less impairment losses.

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(e) Intangible Assets

(i) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

(f) Plant and Equipment, and Depreciation

All items of plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation of plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Computers	33%
Furniture and fittings	20%
Office equipment	33%
Renovation	20%
Motor vehicle	20%

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(f) Plant and Equipment, and Depreciation (cont'd)

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of plant and equipment.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(g) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

(ii) Finance leases - the Group as lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for lease assets is in accordance with that for depreciable plant and equipment as described in Note 2.2(f).

(iii) Operating leases - the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(h) Provisions for Liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(i) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred taxation is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statement. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(j) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(j) Employee Benefits (cont'd)

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Some of the Group's foreign subsidiaries also make contributions to their respective countries' statutory pension schemes.

(k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Revenue from provision of services

Revenue from provision of services is recognised net of service taxes and discount as and when the services are performed.

(ii) Fee income

Fee income are recognised in the income statement on an accrual basis.

(iii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(iv) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(l) Foreign Operations

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(l) Foreign Operations (cont'd)

(ii) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(l) Foreign Operations (cont'd)

(iii) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;

- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

(m) Impairment of Non-Financial Assets

The carrying amounts of the Group's assets, other than deferred tax assets and non-current assets held for sale, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(m) Impairment of Non-Financial Assets (cont'd)

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a prorata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(n) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (cont'd)

(n) Financial Instruments (cont'd)

(ii) Other Non-Current Investments

Non-current investments other than investments in subsidiaries, associates and jointly controlled entities are usually carried at cost. However, where there is a decline, other than temporary in the value of the non-current investment, the carrying amount is reduced to recognise the impairment in accordance with Note 2.2(m). On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in profit or loss.

(iii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debt based on a review of all outstanding amounts as at the balance sheet date.

(iv) Trade Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

2.3 Adoption of Financial Reporting Standards ("FRSs") for the Year

The accounting policies adopted are consistent with those of the previous year except that the Group has adopted all new and revised standards mandatory for the years beginning on or after 1 January 2006. The revised accounting policies are described in the summary of significant accounting policies respectively.

The adoption of the new and revised FRSs does not result in significant changes in accounting policies of the Group other than those principal effects disclosed below:

(a) FRS 3: Business Combinations

Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

FRS 3 requires that, after assessment, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in income statements. FRS 3 prohibits the recognition of negative goodwill in the balance sheet. Previously, the Group has reflected the negative goodwill as reserves on consolidation under equity. In accordance with the transition provision of FRS 3, the Group has applied the new accounting policy prospectively from 1 January 2006. Therefore, the change has had no impact on amounts reported for 2005 or prior periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Adoption of Financial Reporting Standards ("FRSs") for the Year (cont'd)

(a) FRS 3: Business Combinations (cont'd)

In accordance with transitional provisions of FRS 3, the negative goodwill as at 1 January 2006 of RM721,558 was derecognised with a corresponding increase in retained profits.

(b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interest. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statements, minority interests are presented as an allocation of the total profit and loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the Company and to minority interest.

Prior to 1 January 2006, the Group's share of taxation of associates and jointly controlled entities accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of the revised FRS 101, the share of taxation of associates and jointly entities accounted for using the equity method are now included in the respective shares of profit or loss reported in the consolidated income statement before arriving at the Group's profit or loss before tax.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

At the date of authorisation of these financial statement, the Group has not early adopted the deferred FRS 139 - Financial Instruments: Recognition and Measurement and the following new and revised FRSs that have been issued but not yet effective:

(i) FRS 6: Exploration for and Evaluation of Mineral Resources
(ii) FRS 117: Leases
(iii) Amendment to FRS 119_{2004}: Employee Benefits-Actuarial Gains and Losses, Group Plans and Disclosures
(iv) Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates
- Net Investment in a Foreign Operation
(v) FRS 124: Related Party Disclosures
(vi) IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities
(vii) IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments
(viii) IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
(ix) IC Interpretation 6: Liabilities arising from Participating in a Specific Market
- Waste Electrical and Electronic Equipment
(x) IC Interpretation 7: Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economics
(xi) IC Interpretation 8: Scope of FRS 2

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Adoption of Financial Reporting Standards ("FRSs") for the Year (cont'd)

FRS 6 and the amendment to FRS 1192004 are not relevant to Group's operations and the adoption of the above interpretations will have no impact on the financial statements of the Group and the Company except for the following:

Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation

This amendment requires that where an entity has a monetary item that forms part of its net investment in a foreign operation, the exchange differences arising from such monetary items should always be recognised in equity in the consolidated financial statements and should not be dependent on the currency of the monetary item. Prior to this amendment, exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation are recognised in equity in the consolidated financial statements only when that monetary item is denominated either in the functional currency of the reporting entity or the foreign operation. The Group will apply this amendment from financial periods beginning 1 January 2008. As it is not possible to reasonably estimate the exchange rates applicable to such monetary items for future periods, the directors are therefore unable to determine if the initial adoption of this amendment will have a material impact on the consolidated financial statements for the financial year ending 31 December 2008.

2.4 Significant Accounting Estimates and Judgements

(a) Critical Judgements made in Applying Accounting Policies

There were no significant judgements made in applying the accounting policies of the Group which may have significant effects of the amounts recognised in the financial statements.

(b) Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

(i) Amortisation of intellectual property

The intellectual property comprise telecommunication software acquired in a business combination. The intellectual property is amortised over its estimated useful life of 20 years. The management believes that the rate reflects the life expectancy of the software due to the fact that the technology is and will continue to be an important tool in the telecommunication industry. Changes in the level of usage and technological developments could impact the economic useful life, therefore future amortisation charges could be revised.

(ii) Impairment of goodwill and intellectual property

The Group determines whether goodwill and intellectual property are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which the goodwill and intellectual property are allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and intellectual property as at 31 December 2006 were RM2,924,009 (2005: RM387,156) and RM11,046,252 (2005: Nil) respectively. Further details are disclosed in Note 13.

3. REVENUE

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Rendering of services	37,554,728	31,257,694	1,000,000	604,480
Sales of goods	15,775,608	-	-	-
Licensing fees	-	5,280,000	4,976,332	15,883,582
Management fee	-	-	443,302	433,340
	53,330,336	36,537,694	6,419,634	16,921,402

4. COST OF SALES

Included in cost of sales is costs of goods sold amounted to RM2,408,680 (2005: Nil).

5. OTHER INCOME

Included in other income is:

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Interest income on deposits	56,132	47,363	36,586	40,386

6. FINANCE COSTS

	Group	
	2006	2005
	RM	RM
Interest expenses on:		
Hire purchase	28,140	10,250
Overdraft	-	156
	28,140	10,406

7. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Staff costs (Note 8)	**7,004,822**	3,118,330	**1,507,543**	954,694
Non-executive directors' remuneration (Note 9)	**143,697**	43,832	**70,000**	40,832
Auditors' remuneration:				
- statutory audits	**140,014**	67,709	**43,000**	25,000
- other services	**4,260**	-	**3,000**	-
Rental expenses for offices	**783,964**	442,096	**20,970**	10,369
Amortisation of intangible assets (Note 13)	**596,940**	-	**116,668**	-
Depreciation (Note 12)	**706,643**	334,172	**2,791**	1,163
Net foreign exchange realised losses	**195,796**	190,445	**-**	-
Plant and equipment:				
- written-off	**-**	364	**-**	-
- loss on disposal	**-**	14,022	**-**	-

8. STAFF COSTS

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Wages and salaries	**6,216,928**	2,736,550	**1,279,939**	798,896
Social security costs	**38,459**	15,061	**17,556**	11,086
Short term accumulating compensated absences	**(15,546)**	52,096	**(4,252)**	32,521
Pension costs				
- defined contribution plans	**439,353**	246,351	**159,836**	99,686
Other staff related expenses	**325,628**	68,272	**54,464**	12,505
	7,004,822	3,118,330	**1,507,543**	954,694

Included in staff costs of the Group are executive directors' remuneration amounting to RM1,529,296 (2005: RM1,066,567) as further disclosed in Note 9.

9. DIRECTORS' REMUNERATION

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Directors of the Company				
Executive:				
Salaries and other emoluments	705,387	839,507	-	-
Pension costs				
- defined contribution plans	35,123	55,708	-	-
	740,510	895,215	-	-
Non-Executive:				
Fees	70,000	40,832	70,000	40,832
	810,510	936,047	70,000	40,832
Directors of the Subsidiaries				
Executive:				
Salaries and other emoluments	708,666	153,774	-	-
Pension costs				
- defined contribution plans	60,120	17,578	-	-
Fees	20,000	-	-	-
Benefits-in-kind	27,575	-	-	-
	816,361	171,352	-	-
Non-Executive:				
Fees	73,697	3,000	-	-
	890,058	174,352	-	-
Total	1,700,568	1,110,399	70,000	40,832

Analysis of remuneration excluding benefits-in-kind:

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Total executive directors' remuneration (Note 8)	1,529,296	1,066,567	-	-
Total non-executive directors' remuneration (Note 7)	143,697	43,832	70,000	40,832
Total directors' remuneration excluding benefits-in-kind	1,672,993	1,110,399	70,000	40,832

9. DIRECTORS' REMUNERATION (CONT'D)

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors	
	2006	2005
Executive:		
RM 50,001 - RM100,000	-	-
RM100,001 - RM150,000	-	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	1
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	1	1
RM350,001 - RM400,000	1	1
Non-Executive:		
Less than RM50,000	2	2

10. INCOME TAX EXPENSE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Current income tax:				
Malaysian income tax	164,990	11,308	10,244	11,308
Foreign tax	138,786	-	-	-
	303,776	11,308	10,244	11,308
Underprovision in prior years:				
Malaysian income tax	-	2,613	-	-
	303,776	13,921	10,244	11,308
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	(13,836)	(427,128)	-	-
Relating to changes in tax rate	5,610	-	-	-
Overprovided in prior years	-	(212)	-	-
	(8,226)	(427,340)	-	-
	295,550	(413,419)	10,244	11,308

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

10. INCOME TAX EXPENSE (CONT'D)

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

As the Company has been granted Multimedia Super Corridor ("MSC") status and the incentive awarded to the Company is Pioneer Status under Section 4A of the Promotion of Investments Act, 1986, its income from MSC-qualifying services is exempted from tax. The provision for income tax made by the Company in the year is in respect of interest income.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2006 RM	2005 RM
Group		
Profit before tax	24,777,983	12,160,870
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	6,937,835	3,405,044
Effect of different rates in other countries	(122,020)	98,782
Effect on changes in tax rate on opening balance of deferred tax	5,610	(1,098)
Income not subject to tax	(7,006,821)	(4,432,273)
Expenses not deductible for tax purposes	433,833	271,026
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(498,458)	(44,321)
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	545,571	287,020
Underprovision of tax expense in prior years	-	2,613
Overprovision of deferred tax in prior year	-	(212)
Tax expense for the year	295,550	(413,419)
Company		
Profit before tax	4,175,118	15,718,405
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	1,169,033	4,401,153
Income not subject to tax	(1,158,789)	(4,389,845)
Tax expense for the year	10,244	11,308

Tax savings during the year arising from:

	Group	
	2006 RM	2005 RM
Utilisation of previously unrecognised tax losses	479,467	-

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue during the year.

	Group 2006	Group 2005
Profit attributable to equity holders of the Company (RM)	**20,628,536**	12,574,289
Weighted average number of ordinary shares in issue	**85,619,178**	67,006,849
Basic earnings per share (sen)	**24.09**	18.77

The Group has no potential dilutive ordinary shares and hence diluted earnings per share is not presented in the financial statements.

12. PLANT AND EQUIPMENT

Group	Computers RM	Furniture and Fittings RM	Office Equipment RM	Renovation RM	Motor Vehicle RM	Total RM
Cost						
At 1 January 2006	1,515,070	177,414	154,153	211,037	451,126	2,508,800
Additions	357,598	48,532	160,669	167,187	-	733,986
Disposals	(24,031)	-	(4,225)	(17,296)	-	(45,552)
Acquisitions of subsidiaries (Note 14)	142,800	28,128	892,999	25,425	-	1,089,352
Exchange differences	16,270	946	(20,079)	803	-	(2,060)
At 31 December 2006	2,007,707	255,020	1,183,517	387,156	451,126	4,284,526
Accumulated Depreciation						
At 1 January 2006	262,621	31,046	53,170	25,986	22,556	395,379
Depreciation charge for the year	432,408	43,875	82,978	57,156	90,226	706,643
Disposals	(17,224)	-	(3,424)	(5,623)	-	(26,271)
Acquisitions of subsidiaries (Note 14)	46,596	10,242	170,437	16,219	-	243,494
Exchange differences	(3,356)	(65)	238	356	-	(2,827)
At 31 December 2006	721,045	85,098	303,399	94,094	112,782	1,316,418
Net carrying amount						
At 31 December 2006	1,286,662	169,922	880,118	293,062	338,344	2,968,108

12. PLANT AND EQUIPMENT (CONT'D)

Group	Computers RM	Furniture and Fittings RM	Office Equipment RM	Renovation RM	Motor Vehicle RM	Total RM
Cost						
At 1 January 2005	171,521	58,489	60,976	62,651	-	353,637
Additions	1,344,070	117,468	90,597	168,328	451,126	2,171,589
Disposals	-	-	-	(19,160)	-	(19,160)
Written-offs	(4,089)	(123)	-	-	-	(4,212)
Acquisition of a subsidiary	7,151	3,164	4,010	-	-	14,325
Exchange differences	(3,583)	(1,584)	(1,430)	(782)	-	(7,379)
At 31 December 2005	1,515,070	177,414	154,153	211,037	451,126	2,508,800
Accumulated Depreciation						
At 1 January 2005	36,773	8,005	9,435	5,047	-	59,260
Depreciation charge for the year	224,929	21,083	39,737	25,867	22,556	334,172
Disposals	-	-	-	(4,938)	-	(4,938)
Written-offs	(3,834)	(14)	-	-	-	(3,848)
Acquisition of a subsidiary	4,459	2,125	4,007	-	-	10,591
Exchange differences	294	(153)	(9)	10	-	142
At 31 December 2005	262,621	31,046	53,170	25,986	22,556	395,379
Net carrying amount						
At 31 December 2005	1,252,449	146,368	100,983	185,051	428,570	2,113,421

12. PLANT AND EQUIPMENT (CONT'D)

	Office Equipment RM	Renovation RM	Total RM
Company			
Cost			
At 1 January 2006/			
31 December 2006	3,900	7,456	11,356
Accumulated Depreciation			
At 1 January 2006	542	621	1,163
Depreciation charge for the year	1,300	1,491	2,791
At 31 December 2006	1,842	2,112	3,954
Net carrying amount			
At 31 December 2006	2,058	5,344	7,402
Cost			
At 1 January 2005	-	-	-
Additions	3,900	7,456	11,356
At 31 December 2005	3,900	7,456	11,356
Accumulated Depreciation			
At 1 January 2005	-	-	-
Depreciation charge for the year	542	621	1,163
At 31 December 2005	542	621	1,163
Net carrying amount			
At 31 December 2005	3,358	6,835	10,193

In prior year, the Group acquired plant and equipment at aggregate cost of RM2,171,589 of which RM633,311 were acquired by means of hire purchase arrangements. None were acquired by means of hire purchase during the year. The net carrying amount of plant and equipment held under hire purchase arrangements are as follows:

	Group 2006 RM	Group 2005 RM
Computers	**110,218**	204,741
Motor vehicle	**338,344**	428,570
	448,562	633,311

13. INTANGIBLE ASSETS

Group	Goodwill RM	Negative goodwill RM	Intellectual property RM	Software license RM	Total RM
Cost					
At 1 January 2005	-	(721,558)	-	-	(721,558)
Acquisition of a subsidiary	387,156	-	-	-	387,156
At 31 December 2005 and 1 January 2006	387,156	(721,558)	-	-	(334,402)
Effect of adopting FRS 3 (Note 2.3(a))	-	721,558	-	-	721,558
Addition (Note 26)	-	-	-	1,050,000	1,050,000
Acquisitions of subsidiaries (Note 14)	2,536,853	-	11,526,524	-	14,063,377
At 31 December 2006	2,924,009	-	11,526,524	1,050,000	15,500,533
Accumulated amortisation					
At 31 December 2005 and 1 January 2006	-	-	-	-	-
Amortisation (Note 7)	-	-	480,272	116,668	596,940
At 31 December 2006	-	-	480,272	116,668	596,940
Net carrying amount					
At 31 December 2005	387,156	(721,558)	-	-	(334,402)
At 31 December 2006	2,924,009	-	11,046,252	933,332	14,903,593

Company	Software License RM
Cost	
At 31 December 2005 and 1 January 2006	-
Addition (Note 26)	1,050,000
At 31 December 2006	1,050,000

13. INTANGIBLE ASSETS (CONT'D)

	Software License RM
Accumulated amortisation	
At 31 December 2005 and 1 January 2006	-
Amortisation (Note 7)	116,668
At 31 December 2006	116,668
Net carrying amount	
At 31 December 2005	-
At 31 December 2006	933,332

Impairment tests for goodwill and intellectual property

The allocation of goodwill and intellectual property to the Group's CGUs identified according to country of operation are as follows:

	Hong Kong RM	Singapore RM	Total RM
At 31 December 2006			
Goodwill	387,156	-	387,156
Intellectual property	-	11,046,252	11,046,252
	387,156	11,046,252	11,433,408
Unallocated			2,536,853
			13,970,261
At 31 December 2005			
Goodwill	387,156	-	387,156

Goodwill

The management believes that the goodwill arising from the Hong Kong segment is not impaired based on the significant surplus position from the investment as at balance sheet date.

13. INTANGIBLE ASSETS (CONT'D)

Goodwill (cont'd)

The Group acquired its interests in Rayson Management Limited ("Rayson") on 17 November 2006 for RM2,782,882. The Group has only been able to determine the fair values assigned to Rayson's assets and liabilities and contingent liabilities on a provisional basis, with the resulting provisional goodwill amount of RM2,536,853 has not been allocated to any cash generating units as at the balance sheet date. The provisional goodwill will be allocated before the end of next year.

Intellectual property

The key assumptions used in value-in-use calculations are as follows:

The recoverable amount of a CGU is determined based on value-in-use calculations using cash flow projections based on financial budgets approved by management covering a five-year period.

(i) **Budgeted gross margin**

The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

(ii) **Growth rate**

The weighted average growth rates used are based on the current encouraging industry prospects and the revenue stream from existing contracts. The management believes that its specialised products and services are well placed to benefit from this trend.

(iii) **Inflation rate**

An inflation rate consistent with the Singapore published indices has been factored in the computation of value-in-use.

(iv) **Discount rate**

The discount rate used reflects the risks relating to the industry.

(v) **Sensitivity to changes in assumptions**

With regard to the assessment of value-in-use management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2006	2005
	RM	RM
Unquoted shares, at cost	22,077,137	7,041,84

14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The principal activities of the subsidiaries are the provision of mobile messaging technology services, other than as separately disclosed below.

The details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held 2006 %	2005 %
Held by the Company:			
Mobile ToucheTek Sdn Bhd	Malaysia	100	100
mTouche Pte Ltd *	Singapore	100	100
PT mTouche *	Republic of Indonesia	99	99
mTouche (Thailand) Co., Ltd *	Thailand	99.94	99.94
mTouche (HK) Ltd *	Hong Kong	100	100
mTouche (Australia) Pty Ltd *	Australia	100	-
mTouche (Vietnam) Co. Ltd.*	Vietnam	100	-
mTouche Technology India Private Ltd.*	India	100	-
Held through subsidiaries:			
MTHK Technology Limited *	China	100	-
Smartcom Global Pte Ltd*^	Singapore	70	-
Inova Venture Pte Ltd *^	Singapore	51	-
Brillante Novastella Sdn. Bhd.^^	Malaysia	51	-
Rayson Management Limited *^^^	British Virgin Islands	70	-

* Audited by firms other than Ernst & Young, Malaysia

^ Principally involved in the provision of support services to telecommunication general importers and exporter

^^ Principally involved in the provision of information technology consultancy and supporting services to the telecommunication industry

^^^ Investment holding company

Acquisitions of Subsidiaries

On 8 March 2006, the Company acquired 51% equity interest in Inova Venture Pte Ltd ("Inova") for a total consideration of RM11,655,540 out of which RM9,162,042 has been satisfied by way of cash. The remaining balance of purchase consideration is payable (Note 26) upon the acquiree meeting certain conditional terms.

On 17 November 2006, the Group acquired 70% equity interest in Rayson Management Limited ("Rayson") for a total cash consideration paid of RM2,782,882.

14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisitions of Subsidiaries (Cont'd.)

The acquired subsidiaries have contributed the following results to the Group:

	Inova RM	Rayson RM	Total RM
Revenue	12,878,647	1,776,732	14,655,379
Profit for the year	7,010,675	1,395,554	8,406,229
Attributable to:			
Equity holders of the Company	3,575,444	976,888	4,552,332
Minority interests	3,435,231	418,666	3,853,897
	7,010,675	1,395,554	8,406,229

If both the acquisitions had occurred on 1 January 2006, the Group's revenue and profit for the year would have been RM54,984,078 and RM23,794,372 respectively.

The assets and liabilities arising from the acquisitions are follows:

	Inova RM	Rayson RM	Total RM
Plant and equipment (Note 12)	183,067	662,791	845,858
Trade and other receivables	6,356,909	1,428,945	7,785,854
Cash and bank balances	442,879	264,649	707,528
Trade and other payables	(5,868,564)	(1,980,986)	(7,849,550)
Income tax payable	(403,338)	-	(403,338)
Fair value of net assets	710,953	375,399	1,086,352
Less: Minority interests	(348,367)	(112,628)	(460,995)
Group's share of net assets	362,586	262,771	625,357
Intangible asset (Note 13)	11,526,524	-	11,526,524
Goodwill on acquisition (Note 13)	-	2,536,853	2,536,853
Costs of acquisitions	11,889,110	2,799,624	14,688,734

Based on management's review, the carrying amounts of the assets and liabilities acquired approximates the fair value recognised on acquisition, except for Rayson where fair values have been determined on a provisional basis (Note 13).

The costs and cash outflows on acquisitions are as follows:

	2006 RM
Held by the Company (Inova):	
Purchase consideration satisfied by cash	9,162,042
Costs attributable to the acquisition, paid in cash	233,570
Total cost of acquisition, representing cash outflow of the Company	9,395,612
Cash and cash equivalents of subsidiary acquired	(442,879)
Net cash outflow of the Group	8,952,733

14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Acquisitions of Subsidiaries (Cont'd)

	2006 RM
Held through subsidiary (Rayson):	
Purchase consideration satisfied by cash	2,782,882
Costs attributable to the acquisition, paid in cash	16,742
Total cost of acquisition, representing cash outflow of the subsidiary	2,799,624
Cash and cash equivalents of subsidiary acquired	(264,649)
Net cash outflow of the Group	2,534,975

15. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Quoted shares outside Malaysia, at cost	11,224,834	-	11,224,834	-
Unquoted shares at cost	4,564,676	-	4,564,676	-
	15,789,510	-	15,789,510	-
Share of post-acquisition reserves	4,047,097	-	-	-
Gain on deemed disposal	5,004,050	-	-	-
	24,840,657	-	15,789,510	-
Market value of quoted shares	88,584,570	-	88,584,570	-

Details of the associates are as follows:

Name of Associates	Country of Incorporation	Equity Interest Held 2006 %	Equity Interest Held 2005 %	Principal Activities
IdotTV Sdn Bhd	Malaysia	20	-	Provision of value added telecommunication services
GMO Limited	United Kingdom	29.93	-	Investment holding*

* The key subsidiary of GMO Limited is a provider of wireless value added services in the Republic of China.

The financial statements of the above associates are co-terminous with those of the Group.

15. INVESTMENTS IN ASSOCIATES (CONT'D)

During the year, the Group acquired its equity interest in GMO Limited by way of a share swap of its existing interest in GMO Global Limited (Note 16). Following the share swap, GMO Global Limited, previously held as investment in jointly controlled entity, has become a subsidiary of GMO Limited. The Group's equity interest in GMO Limited was subsequently diluted due to the listing of the company on the Alternative Investment Market of the London Stock Exchange.

The summarised financial information of the associates are as follows:

	Group	
	2006	2005
	RM	RM
Assets and liabilities		
Current assets	60,607,898	-
Non-current assets	45,204,250	-
Total assets	105,812,148	-
Total current liabilities	31,648,795	-
Results		
Revenue	21,621,595	-
Profit for the year	8,023,339	-

The details of goodwill included within the Group's carrying amount of investments in associates are as follows:

	RM
Cost/Net carrying amount	
At 1 January 2005/2006	-
Arising from investment in an associate	4,483,933
At 31 December 2006	4,483,933

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

On 27 September 2006, the joint venture company between the Company and Cellcast (UK) Limited namely, Cellcast SEA Limited was incorporated in Hong Kong.

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Unquoted shares at cost	23,651	151	23,651	151
Share of post-acquisition reserves	(23,651)	2,163,175	-	-
	-	2,163,326	23,651	151

The Group has discontinued the recognition of its share of losses of the jointly controlled entity because the share of losses of this jointly controlled entity has exceeded the Group's interest in the investment. The Group's unrecognised share of losses of this jointly controlled entity for both the current year and cumulatively were RM93,990 (2005: Nil).

16. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES (CONT'D)

The Group's aggregate share of the income, expenses, assets and liabilities of the jointly controlled entity is as follows:

	Group 2006 RM	Group 2005 RM
Assets and liabilities		
Current assets	-	196
Non-current assets	5,214	13,525,240
Total assets	5,214	13,525,436
Total current liabilities	(97,130)	(10,433,663)
Minority interests	-	(928,447)
Results		
Revenue	1,855,029	3,626,880
Profit for the year	1,364,919	3,544,937

Details of the jointly controlled entity are as follows:

Name of Jointly Controlled Entity	Country of Incorporation	Effective Equity Interest Held 2006 %	Effective Equity Interest Held 2005 %	Principal Activity
Cellcast SEA Limited	Hong Kong	50	-	Provision of television broadcasting services
GMO Global Limited	British Virgin Islands	-	40	Investment holding

17. OTHER INVESTMENTS

	Group/Company 2006 RM	Group/Company 2005 RM
Quoted shares outside Malaysia, at cost	3,201,892	-
Market value of quoted shares	2,495,340	-

18. TRADE RECEIVABLES

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Trade receivables:				
Subsidiaries	-	-	26,768,364	17,516,922
Third parties	33,112,442	18,118,466	604,480	5,884,480
	33,112,442	18,118,466	27,372,844	23,401,402

Included in trade receivables of the Group and of the Company is an amount of RM604,480 (2005: RM604,480) due from MH Capital Inc, a subsidiary of GMO Global Limited, which was fully recovered subsequent to year end.

The Group's normal trade credit term ranges from 30 to 90 days (2005: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

19. OTHER RECEIVABLES

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Deposits	567,944	4,405,710	8,472	4,251,246
Prepayments	1,310,877	1,335,914	2,323	-
Sundry receivables	1,556,179	1,509,320	320,634	4,412
Amounts due from subsidiaries	-	-	5,670,055	1,483,887
Amount due from an associate	480,885	-	317,342	-
Amount due from jointly controlled entity	55,204	-	4,584	-
	3,971,089	7,250,944	6,323,410	5,739,545

Included in deposits of the Group and of the Company in prior year is RM4,242,773 being part settlement of the consideration for the proposed acquisitions of equity interests in both Inova Venture Pte Ltd and IdotTV Sdn Bhd.

The amounts due from subsidiaries, associate and jointly controlled entity are unsecured, interest free and have no fixed terms of repayment.

20. CASH AND BANK BALANCES

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Cash on hand and at banks	12,133,054	3,988,210	391,311	2,904,449
Deposits with licensed banks	574,335	9,000,000	-	9,000,000
	12,707,389	12,988,210	391,311	11,904,449

20. CASH AND BANK BALANCES (CONT'D)

The weighted average effective interest rates and average maturities of deposits with licensed banks at the balance sheet date were as follow:

	Group		Company	
	2006	2005	2006	2005
Average effective interest rates (%)	**3.1**	2.6	-	2.6
Average maturities (days)	**30**	30	-	30

21. SHARE CAPITAL

	Number of Ordinary Shares		Amount	
	2006	2005	2006 RM	2005 RM
Authorised:				
At 1 January of RM0.10 (2005: RM1.00) each	**100,000,000**	10,000,000	**10,000,000**	10,000,000
Subdivision of shares into RM0.10 each (Note a)	-	90,000,000	-	-
At 31 December of RM0.10 each	**100,000,000**	100,000,000	**10,000,000**	10,000,000
Issued and fully paid:				
At 1 January of RM0.10 (2005: RM1.00) each	**82,500,000**	3,733,000	**8,250,000**	3,733,000
Bonus issue (Note b)	-	2,267,000	-	2,267,000
	82,500,000	6,000,000	**8,250,000**	6,000,000
Subdivision of shares into RM0.10 each (Note a)	-	54,000,000	-	-
	82,500,000	60,000,000	**8,250,000**	6,000,000
Issued during the year:				
- public issue (Note c)	-	15,000,000	-	1,500,000
- private placement (Note d)	**8,250,000**	7,500,000	**825,000**	750,000
At 31 December of RM0.10 each	**90,750,000**	82,500,000	**9,075,000**	8,250,000

The new ordinary shares issued during the year rank pari passu in all respects with the existing ordinary shares of the Company.

(a) Subdivision of Shares

In year 2005, the Company subdivided its authorised share capital from 10,000,000 ordinary shares of RM1.00 each to 100,000,000 ordinary shares of RM0.10 each and subdivided its issued and fully paid share capital from 6,000,000 ordinary shares of RM1.00 each to 60,000,000 ordinary shares of RM0.10 each after the bonus issue (Note b).

21. SHARE CAPITAL (CONT'D)

(b) Bonus Issue

In year 2005, the Company made a bonus issue of 2,267,000 new ordinary shares of RM1.00 each to existing shareholders of the Company on the basis of one (1) new ordinary share of RM1.00 each for approximately every 1.65 existing ordinary shares held in the Company by way of capitalisation of RM2,267,000 out of the retained profits of the Company.

(c) Public Issue

In year 2005, the Company implemented a public issue for cash of 15,000,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM0.60 per ordinary share for total cash proceeds of RM9,000,000. The share issue expense of RM1,739,885 has been included in the share premium account.

(d) Private Placement

During the year, the Company implemented a private placement for cash of 8,250,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM2.75 per ordinary shares for total proceeds of RM22,687,500. The share issue expense of RM1,287,810 has been included in the share premium account.

In year 2005, the Company implemented a private placement for cash of 7,500,000 new ordinary shares of RM0.10 each in the Company at an issue price of RM1.70 per ordinary shares for total proceeds of RM12,750,000. The share issue expense of RM703,813 has been included in the share premium account.

22. OTHER RESERVES

	Foreign Exchange Reserve RM	Other Reserves RM	Total RM
At 1 January 2005	62,608	-	62,608
Foreign currency translation	(15,699)	-	(15,699)
At 31 December 2005	46,909	-	46,909
At 1 January 2006	46,909	-	46,909
Foreign currency translation	95,374	-	95,374
Gain on deemed disposal of investment in an associate	-	53,585	53,585
Share of post acquisition reserve of an associate	-	(1,512,215)	(1,512,215)
At 31 December 2006	142,283	(1,458,630)	(1,316,347)

The foreign exchange reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Other reserves comprise gain or loss on dilution of interest in associates and share of post acquisition reserves of associates.

23. RETAINED EARNINGS

The Company has sufficient balance in the tax-exempt income account to frank the payment of dividends out of its entire retained profits as at 31 December 2006, subject to the agreement of the Inland Revenue Board.

24. HIRE PURCHASE PAYABLES

	Group	
	2006 RM	2005 RM
Minimum hire purchase payments:		
Not later than 1 year	119,404	214,919
Later than 1 year and not later than 2 years	86,976	205,938
Later than 2 year and not later than 5 years	159,426	159,426
	365,806	580,283
Less: Future finance charges	(29,305)	(57,222)
Present value of hire purchase liabilities	336,501	523,061
Present value of hire purchase liabilities:		
Not later than 1 year	104,681	194,856
Later than 1 year and not later than 2 years	231,820	185,224
Later than 2 year and not later than 5 years	-	142,981
	336,501	523,061
Analysed as:		
Due within 12 months	104,681	194,856
Due after 12 months	231,820	328,205
	336,501	523,061

The hire purchase liabilities attracted effective interest at the balance sheet date at rates varying between 2.3% to 4.75% (2005: 2.3% to 4.75%) per annum. Information on fair values of hire purchase payables are disclosed in Note 31.

The Group has finance leases and hire purchase contracts for computers and a motor vehicle (see Note 12). These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the Group by entering into these leases and no arrangements have been entered into for contingent rental payments.

25. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 90 days (2005: 30 to 90 days).

26. OTHER PAYABLES

	Group		Company	
	2006	2005	2006	2005
	RM	RM	RM	RM
Accruals	1,941,447	1,002,196	126,500	98,353
Sundry payables	6,506,828	1,051,174	5,358,257	298,800
Amounts due to subsidiaries	-	-	800,736	3,422,292
	8,448,275	2,053,370	6,285,493	3,819,445

Included in the payables of the Group and the Company as at 31 December 2006 are balances of purchase consideration for the acquisitions of Inova Venture Pte. Ltd. (Note 14) and IdotTV Sdn. Bhd. amounting to RM2,493,498 and RM1,320,000 respectively. Also included is an amount of RM1,050,000 (2005: Nil) in relation to the purchase of software license (Note 13).

The amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

27. DEFERRED TAX

	Group	
	2006	2005
	RM	RM
At 1 January	(564,108)	(143,731)
Recognised in income statement (Note 10)	(8,226)	(427,340)
Exchange differences	(27,315)	6,963
At 31 December	(599,649)	(564,108)

The components and movements of deferred tax assets and liabilities during the year prior to offsetting are as follows:

Deferred Tax (Assets)/Liabilities of the Group:

	Unused Tax Losses and Unabsorbed Capital Allowances	Plant and Equipment	Others	Total
	RM	RM	RM	RM
At 1 January 2006	(626,500)	70,663	(8,271)	(564,108)
Recognised in income statement	(328)	8,157	(16,055)	(8,226)
Exchange differences	(29,119)	228	1,576	(27,315)
At 31 December 2006	(655,947)	79,048	(22,750)	(599,649)

27. DEFERRED TAX (CONT'D)

Deferred Tax (Assets)/Liabilities of the Group: (cont'd)

	Unused Tax Losses and Unabsorbed Capital Allowances RM	Plant and Equipment RM	Others RM	Total RM
At 1 January 2005	(153,102)	9,371	-	(143,731)
Recognised in income statement	(480,412)	61,300	(8,228)	(427,340)
Exchange differences	7,014	(8)	(43)	6,963
At 31 December 2005	(626,500)	70,663	(8,271)	(564,108)

	Group 2006 RM	Group 2005 RM
Unrecognised deferred tax:		
Unutilised tax losses	**8,500,000**	6,600,000
Unutilised capital allowances	**1,100,000**	900,000

28. COMMITMENT

	Group/Company 2006 RM	Group/Company 2005 RM
Proposed acquisitions of equity interest in Inova Venture Pte Ltd and IdotTV Sdn Bhd	-	11,841,367

29. OPERATING LEASE ARRANGEMENTS

The Group has entered into non-cancellable operating lease agreements for the use of buildings. These leases have an average life of between 1 and 2 years with no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities, are as follows:

	Group 2006 RM	Group 2005 RM
Future minimum rental payments:		
Not later than 1 year	**1,087,000**	516,000
Later than 1 year and not later than 5 years	**885,000**	170,000
	1,972,000	686,000

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group and Company have the following transactions with related parties during the year:

	2006 RM	2005 RM
Group		
Sales to MH Capital Inc, a subsidiary of GMO Global Limited	-	604,480
Company		
Licensing fees charged to subsidiaries	**4,976,332**	10,603,582
Management fees charged to a subsidiary	**443,302**	433,340

The directors are of the opinion that all the transactions above have been entered into in the normal course of business. Information regarding outstanding balances arising from related party transactions as at 31 December 2006 are disclosed in Notes 18, 19 and 26.

31. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate, foreign exchange, liquidity and credit risks.

(b) Interest Rate Risk

The Group had no long term interest-bearing assets nor interest-bearing debts. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

(c) Foreign Exchange Risk

The Group is exposed to various foreign currencies, mainly Singapore Dollars, Thai Baht and Indonesia Rupiah, Hong Kong Dollars and United States Dollars. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group manages all its foreign assets and liabilities using the best available foreign currency exchange rates. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level.

31. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign Exchange Risk (Cont'd.)

The net financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

Functional Currency of Group Companies	Net Financial Assets/(Liabilities) Held in Non-Functional Currency									
	Ringgit Malaysia RM	Singapore Dollars RM	Indonesia Rupiah RM	Thai Baht RM	Hong Kong Dollars RM	Australia Dollars RM	Vietnam Dollars RM	India Rupees RM	China Renminbi RM	Total RM
At 31 December 2006:										
Ringgit Malaysia	-	12,843,362	3,053,319	2,202,931	4,405,922	92,247	113,289	73,129	1,000,000	23,784,199
Singapore Dollars	(13,340,277)	-	471,077	93,109	97,742	194,987	10,731	35,309	1,496,820	(10,940,502)
Indonesia Rupiah	(2,948,027)	(472,704)	-	105,687	266	-	-	-	-	(3,314,778)
Thai Baht	(2,309,146)	(94,194)	(106,039)	-	330	-	-	-	-	(2,509,049)
Hong Kong Dollars	(3,470,312)	(90,383)	(256)	-	-	(293)	-	-	(4,782,195)	(8,343,439)
Australia Dollars	(92,158)	(195,823)	-	-	-	-	-	-	-	(287,981)
Vietnam Dollars	(114,907)	(11,079)	-	-	-	-	-	-	-	(125,986)
India Rupees	(67,541)	(35,558)	-	-	-	-	-	-	-	(103,099)
China Renminbi	(1,067,428)	(1,482,058)	-	-	4,790,431	-	-	-	-	2,240,945
	(23,409,796)	10,461,563	3,418,101	2,401,727	9,294,691	286,941	124,020	108,438	(2,285,375)	400,310
At 31 December 2005:										
Ringgit Malaysia	-	4,148,745	2,718,274	2,393,026	930,859	-	-	-	-	10,190,904
Singapore Dollars	(4,139,590)	-	663,308	269,776	1,256	-	-	-	-	(3,205,250)
Indonesia Rupiah	(2,721,767)	(664,084)	-	113,537	-	-	-	-	-	(3,272,314)
Thai Baht	(2,347,041)	(236,070)	(108,315)	-	-	-	-	-	-	(2,691,426)
Hong Kong Dollars	(917,290)	(1,231)	-	-	-	-	-	-	-	(918,521)
	(10,125,688)	3,247,360	3,273,267	2,776,339	932,115	-	-	-	-	103,393

31. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all funding needs and working capital requirements are met.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risk are minimised and monitored by strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(f) Fair Values

In addition to the fair values detailed elsewhere in the financial statements, the carrying amounts of the financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their respective net fair values, except for the following:

	Group	
	Carrying Amount RM	Fair Value RM
Financial Liabilities		
At 31 December 2006:		
Hire purchase payables (Note 24)	336,501	277,399
At 31 December 2005:		
Hire purchase payables (Note 24)	523,061	458,900

32. SUBSEQUENT EVENTS

(a) Investment in loan notes

On 22 January 2007, the Company entered into a Murabahah Loan Notes ("MLN") Subscription Agreement with GMO Limited to subscribe for USD999,184 nominal value of MLN comprising:

(i) USD830,000 nominal value primary MLN ("Primary MLN"); and

(ii) USD169,184 nominal value secondary MLN ("Secondary MLN")

for a total subscription consideration of USD830,000 (equivalent to approximately RM2,905,000 at an exchange rate of USD1.00:RM3.50).

(b) Proposed increase in share capital

On 21 February 2007, the Company announced its proposal to undertake the following:

(i) a proposed bonus issue of 363,000,000 new ordinary shares of the Company of RM0.10 each on the basis of four new ordinary shares for every one existing share held at an entitlement date to be determined later;

(ii) a proposed private placement of up to 45,375,000 ordinary shares representing up to ten percent (10%) of the issued and paid-up share capital of the Company upon completion of the proposed bonus issue; and

(iii) a proposed increase in the authorised share capital of the Company RM10,000,000 comprising 100,000,000 ordinary shares of RM0.10 each to RM100,000,000 comprising 1,000,000,000 ordinary shares of RM0.10 each.

33. SEGMENT INFORMATION

(a) Reporting format

The primary segment reporting format is determined to be geographical segments as the Group's risks and rates of return are determined predominantly by geographical location of its customers and assets. Secondary information is reported by business segment.

(b) Geographical segments

The Group's geographical segments are based on the location of its markets, which is similar to the location of its assets.

The management determines that its geographical segments comprise the following markets which have similar characteristics:

(i) Matured markets - countries with saturated market, including Malaysia and Singapore.

(ii) Emerging markets - countries with potential growth and penetration rate including Hong Kong, China, Indonesia, Thailand, Australia, Vietnam and India

33. SEGMENT INFORMATION (CONT'D)

(c) Business segments

The Group's business segment comprises the following main business segments:

(i) Mobile messaging services - provision of mobile messaging technology services and product customisation.

(ii) Telecommunication support activities - provision of support services to telecommunication general importers and exporters, supply of related goods and provision of information technology consultancy.

(d) Allocation basis and transfer pricing

Sales to external customers disclosed in geographical segments are based on the geographical location where sales is generated. Segmental assets are based on the location of those assets.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Transfer prices between geographical segments are set on an arm's length basis in a manner similar to transactions with third parties. These transfers are eliminated on consolidation.

Geographical segments

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segments:

	Matured markets RM	Emerging markets RM	Eliminations RM	Total RM
31 December 2006				
Revenue				
Sales to external customers	33,098,782	20,231,554	-	53,330,336
Inter-segment sales	7,920,614	-	(7,920,614)	-
Total revenue	41,019,396	20,231,554	(7,920,614)	53,330,336
Results				
Segment results	9,783,044	6,981,744	(309,756)	16,455,032
Share of results of associates	1,773,815	-	-	1,773,815
Share of results of jointly controlled entities	1,598,671	-	-	1,598,671
Disposal of interest in an associate	4,950,465	-	-	4,950,465
Profit before tax				24,777,983
Income tax expense				(295,550)
Profit for the year				24,482,433

33. SEGMENT INFORMATION (CONT'D)

Geographical segments (Cont'd)

The following table provides an analysis of the Group's revenue, results, assets, liabilities and other information by geographical segments:

	Matured markets RM	Emerging markets RM	Eliminations RM	Total RM
Assets				
Segment assets	104,014,500	29,060,073	(61,582,389)	71,492,184
Investments in associates	24,840,657	-	-	24,840,657
Investment in jointly controlled entity	23,651	-	(23,651)	-
				96,332,841
Liabilities				
Segment liabilities	40,346,868	22,842,192	(49,798,184)	13,390,876
Other segment information:				
Capital expenditure	625,972	108,014	-	733,986
Depreciation	596,274	110,369	-	706,643
Amortisation	596,940	-	-	596,940
31 December 2005				
Revenue				
Sales to external customers	28,910,675	7,627,019	-	36,537,694
Inter-segment sales	11,106,006	-	(11,106,006)	-
Total revenue	40,016,681	7,627,019	(11,106,006)	36,537,694
Results				
Segment results	11,812,402	(1,852,864)	38,157	9,997,695
Share of results of jointly controlled entities	2,163,175	-	-	2,163,175
Profit before tax				12,160,870
Income tax expense				413,419
Profit for the year				12,574,289
Assets				
Segment assets	68,715,965	6,858,336	(33,876,717)	41,697,584
Investments in jointly controlled entities	2,163,326	-	-	2,163,326
				43,860,910
Liabilities				
Segment liabilities	26,167,360	9,013,257	(29,281,810)	5,898,807
Other segment information:				
Capital expenditure	2,033,523	138,066	-	2,171,589
Depreciation	297,411	36,761	-	334,172

33. SEGMENT INFORMATION (CONT'D)

Business segments

The following table provides an analysis of the Group's revenue by business segments:

	Revenue by Business Segments	
	2006	2005
	RM	RM
Mobile messaging services	36,554,728	30,653,214
Telecommunication support activities	15,775,608	-
Others	1,000,000	5,884,480
	53,330,336	36,537,694

The following is an analysis of the carrying amount of segment assets and capital expenditure, analysed by business segments:

	Segment Assets		Capital Expenditure	
	2006	2005	2006	2005
	RM	RM	RM	RM
Mobile messaging services	36,630,498	19,641,511	733,986	2,160,233
Telecommunication support activities	29,060,913	-	-	-
Others	5,800,773	22,056,072	-	11,356
	71,492,184	41,697,583	733,986	2,171,589

Analysis of Shareholdings

as at 30 March 2007

Authorised Share Capital	:	100,000,000
Issued & Fully Paid-up Capital	:	90,750,000
Class of Shares	:	Ordinary share of RM0.10
Voting Rights	:	One vote per share
Number of Shareholders	:	411

DISTRIBUTON OF SHAREHOLDINGS

Size of Shareholdings	No. of Holders	%	No. of Shares	%
1 - 99	2	0.49	100	0.00
100 - 999	22	5.35	8,700	0.01
1,000 - 4,999	176	42.82	329,400	0.36
5,000 - 10,000	77	18.74	589,200	0.65
10,001 - 100,000	87	21.17	3,926,100	4.33
100,001 - 1,000,000	31	7.54	10,823,500	11.93
ABOVE 1,000,000 SHARES	16	3.89	75,073,000	82.72
	411	100.00	90,750,000	100.00

ANALYSIS OF DIRECTORS' SHAREHOLDERS AS AT 30 MARCH 2007

	Name	Direct	%	Indirect	%
1	GOH EUGENE	19,236,500	21.26	-	-
2	TAN WEE MENG	12,425,000	13.73	-	-
3	NG JOO HOW	2,000	0.00	-	-
4	LAI TEIK KIN	0	0.00	-	-
5	LIM EE-JIN	0	0.00	-	-

ANALYSIS OF SUBSTANTIAL SHAREHOLDERS AS AT 30 MARCH 2007

	Name	Direct	%	Indirect	%
1	GOH EUGENE	19,236,500	21.26	-	-
2	TAN WEE MENG	12,425,000	13.73	-	-
3	HENDRA SIE	4,656,000	5.14	-	-
4	OSK CAPITAL PARTNERS SDN. BHD.	18,430,000	20.37	-	-
5	OSK VENTURES INTERNATIONAL BERHAD	-	-	18,430,000	20.37
6	OSK HOLDINGS BERHAD	-	-	18,430,000	20.37
7	ONG LEONG HUAT @ WONG JOO HWA	-	-	18,430,000	20.37

1 Deemed interested by virtue of its shareholdings in OSK Capital Partners Sdn. Bhd. pursuant to Section 6A of the Companies Act, 1965.
2 Deemed interested by virtue of its shareholdings in OSK Ventures International Berhad pursuant to Section 6A of the Companies Act, 1965.
3 Deemed interested by virtue of its shareholdings in OSK Holding Berhad pursuant to Section 6A of the Companies Act, 1965.

Analysis of Shareholdings (cont'd)

as at 30 March 2007

THE 30 LARGEST SECURITIES ACCOUNT HOLDERS

	Holders Name	Share Held	%
1	OSK CAPITAL PARTNERS SDN. BHD.	18,430,900	20.31
2	GOH EUGENE (WU EUGENE)	11,476,847	12.65
3	TAN WEE MENG (CHEN WEIMING)	7,642,095	8.42
4	OSK NOMINEES (TEMPATAN) SDN BERHAD QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR SENG SIAU LEE	4,500,000	4.96
5	AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD QUALIFIER:KUMPULAN WANG BERSAMA	4,300,000	4.74
6	HENDRA SIE	4,201,058	4.63
7	OSK NOMINEES (ASING) SDN BERHAD QUALIFIER:GOH EUGENE (WU EUGENE)	3,750,000	4.13
8	OSK NOMINEES (ASING) SDN BERHAD QUALIFIER:TAN WEE MENG (CHEN WEIMING)	3,750,000	4.13
9	TCL NOMINEES (ASING) SDN BHD QUALIFIER:GOH EUGENE (WU EUGENE)	3,000,000	3.31
10	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD QUALIFIER:PHEIM ASSET MANAGEMENT SDN BHD FOR EMPLOYEES PROVIDENT FUND	2,800,000	3.09
11	NORA EE SIONG CHEE	2,000,000	2.20
12	TCL NOMINEES (ASING) SDN.BHD. QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR CLASSIC GROUP HOLDINGS INC.	1,694,800	1.87
13	CARTABAN NOMINEES (ASING) SDN BHD QUALIFIER:LEHMAN BROTHERS SECURITIES ASIA LIMITED FOR LEHMAN BROTHERS COMMERCIAL CORPORATION ASIA LIMITED	1,625,800	1.79
14	HSBC NOMINEES (ASING) SDN BHD QUALIFIER:TNTC FOR GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD	1,512,600	1.67
15	HSBC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:HSBC (M) TRUSTEE BHD FOR OSK-UOB SMALL CAP OPPORTUNITY UNIT TRUST (3548)	1,180,000	1.30
16	HSBC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:HSBC (M) TRUSTEE BHD FOR HWANG-DBS SELECT SMALL CAPS FUND (4579)	1,129,400	1.24

Analysis of Shareholdings (cont'd)

as at 30 March 2007

THE 30 LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D)

	Holders Name	Share Held	%
17	TAN WEE MENG (CHEN WEIMING)	1,032,905	1.14
18	GOH EUGENE (WU EUGENE)	1,009,653	1.11
19	HLG NOMINEE (ASING) SDN BHD QUALIFIER:EXEMPT AN FOR UOB KAY HIAN (HONG KONG) LIMITED	940,000	1.04
20	HSBC NOMINEES (ASING) SDN BHD QUALIFIER:TNTC FOR DBS MALAYSIA EQUITY FUND	900,000	0.99
21	HSBC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:HSBC (M) TRUSTEE BHD FOR OSK-UOB KIDSAVE TRUST (3621)	814,500	0.90
22	MAYBAN NOMINEES (TEMPATAN) SDN BHD QUALIFIER:MAYBAN TRUSTEES BERHAD FOR BALANCED RETURNS FUND (N14011980060)	720,500	0.79
23	HSBC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:HSBC (M) TRUSTEE BHD FOR OSK-UOB GROWTH AND INCOME FOCUS TRUST (4892)	589,400	0.65
24	TCL NOMINEES (TEMPATAN) SDN BHD QUALIFIER:PLEDGED SECURITIES ACCOUNT FOR SIEH JOO SHIONG	589,300	0.65
25	TAN KIN LEE	500,000	0.55
26	LOH TECK YEN	500,000	0.55
27	DB (MALAYSIA) NOMINEE (ASING) SDN BHD QUALIFIER:DEUTSCHE BANK AG LONDON FOR EXELION GLOBAL MACRO FUND	500,000	0.55
28	INTER-PACIFIC EQUITY NOMINEES (ASING) SDN BHD QUALIFIER:KIM ENG SECURITIES PTE LTD FOR HENDRA SIE	418,000	0.46
29	HSBC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:HSBC (M) TRUSTEE BHD FOR PRUDENTIAL DYNAMIC FUND (4496)	378,000	0.42
30	HSBC NOMINEES (TEMPATAN) SDN BHD QUALIFIER:HSBC (M) TRUSTEE BHD FOR OSK-UOB CAPITAL GUARANTEED FUNDS-SERIES 2 (5063-401)	311,200	0.34
		82,196,958	90.58

Notice of Third Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting of the Company will be held at Greens II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 18 May 2007 at 10.00 a.m. for the following business:-

AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2006 together with the Directors' and Auditors' Reports thereon. **Resolution 1**

2. To approve the payment of Directors' fees. **Resolution 2**

3. To re-elect the following Directors retiring in accordance with Article 93 of the Company's Articles of Association:

    (i) Mr. Tan Wee Meng (Chen Weiming) **Resolution 3**
    (ii) Mr. Ng Joo How **Resolution 4**

4. To appoint Messrs Ernst & Young as Auditors of the Company for the ensuring year and to authorise the Directors to fix their remuneration. **Resolution 5**

5. As Special Business to consider and if thought fit, to pass the following Ordinary Resolution, with or without modifications:-

    AUTHORITY TO ISSUE SHARES

    "THAT subject always to the Companies Act, 1965 ("Act") and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Act, to issue and to allot shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares issued pursuant to this Resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 6**

6. As Special Business to consider and if thought fit, to pass the following resolutions, with or without modifications:-

    AS SPECIAL RESOLUTION
    - PROPOSED AMENDMENT TO THE ARTICLES OF ASSOCIATION

    "THAT the proposed deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as contained in Appendix I attached to the Annual Report 2006 be and are hereby approved." **Resolution 7**

7. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD
SEOW FEI SAN
LAW MEE POO
Secretaries

Selangor Darul Ehsan
23 April 2007

Notes:-

(i) Proxy

(a) A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or at the hand of an officer or attorney duly authorised.

(b) The instrument of proxy shall be deposited at the Registered Office of the Company, 312, 3rd Floor Block C Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.

(c) Form of Proxy sent through facsimile transmission shall not be accepted.

(ii) Explanatory Note on Special Business

- **Resolution 6**
  The proposed Ordinary Resolution 6, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting. This authority will expire at the next Annual General Meeting of the Company.

- **Resolution 7**
  The proposed Amendments to the Articles of Association of the Company are made to comply with the revamped Listing Requirements of the Bursa Malaysia Securities Berhad for the MESDAQ Market. Please refer to the document marked Appendix I attached to the Annual Report 2006 for details of the Proposed Amendments.

Statement Accompanying

Notice of Annual General Meeting

1. Names of directors who are standing for election

   (a) Mr. Tan Wee Meng (Chen Weiming) - Article 93
   (b) Mr. Ng Joo How - Article 93

2. Place, date and time of the Third Annual General Meeting

Place	Date	Time
Greens II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan	Friday 18 May 2007	10.00 a.m.

3. Further details of the abovementioned retiring directors are set out on page 4 of this Annual Report.

4. Details of attendance of directors at Board Meetings held during the financial year

Name	Meetings attended
Mr. Goh Eugene (Wu Eugene)	6/6
Mr. Tan Wee Meng (Chen Weiming)	5/6
Mr. Ng Joo How	6/6
Mr. Lai Teik Kin	6/6
Mr. Lim Ee-Jin	6/6

That the Articles of Association of the Company be amended in the following manner:-

1. Article 2

i. THAT the existing definition of "Approved Market Place" in Article 2 which reads as follows:

"Approved Market Place	...	A stock exchange which is specified to be an approved market place in the Securities Industry (Central Depositories) Exemption Order (No. 2) 1998."

be amended by deleting the definition of "Approved Market Place" in its entirety and substituting with the following:

"Approved Market Place	**...**	**A stock exchange which is specified to be an approved market place pursuant to an exemption order made under Section 62A of the Central Depositories Act."**

ii. THAT the existing definition of "Listing Requirements" in Article 2 which reads as follows:

"Listing Requirements	...	Bursa Malaysia Securities Berhad's Listing Requirements for the MESDAQ Market."

be amended by deleting the definition of "Listing Requirements" in its entirety and substituting with the following:

"Listing Requirements	**...**	**Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market including any amendments to the Listing Requirements that may be made from time to time."**

iii. THAT the existing definition of "Central Depositories Act" in Article 2 which reads as follows:

"Central Depositories Act	...	Securities Industry (Central Depositories) Act 1991."

be amended by inserting the words "**as amended from time to time and any re-enactment thereof**" after the sentence and it shall read as follows:

"**Central Depositories Act**	...	Securities Industry (Central Depositories) Act 1991 **as amended from time to time and any re-enactment thereof**."

iv. THAT the existing definition of "Depositor" in Article 2 which reads as follows:

"Depositor	...	A holder of Securities Account."

be amended by inserting the words "**established by the Depository**" after the words "Securities Account" and it shall read as follows:

"**Depositor**	...	A holder of Securities Account **established by the Depository**."

v. THAT the existing definition of "Deposited Security" in Article 2 which reads as follows:

"Deposited Security	...	A security standing to the credit of a Securities Account and includes securities in a Securities Account that is in suspense."

be amended by deleting the definition of "Deposited Security" in its entirety and substituting with the following:

"Deposited Security	...	shall have the meaning given in Section 2 of the Central Depositories Act."

vi. THAT the existing definition of "Rules" in Article 2 which reads as follows:

"Rules	...	The Rules under Central Depositories Act."

be amended by deleting the definition of "Rules" in its entirety and it shall read as follows:

"Rules	...	shall have the meaning given in Section 2 of the Central Depositories Act."

2. <u>Article 2A</u>

THAT the following new Heading and Article 2A be inserted immediately after Article 2:

"EFFECT OF THE LISTING REQUIREMENTS

(i) Notwithstanding anything contained in these Articles, if the Listing Requirements prohibit an act being done, the act shall not be done.

(ii) Nothing contained in these Articles prevents an act being done that the Listing Requirements require to be done.

(iii) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).

(iv) If the Listing Requirements require these Articles to contain a provision and they do not contain such a provision, these Articles are deemed to contain that provision.

(v) If the Listing Requirements require these Articles not to contain a provision and they contain such a provision, these Articles are deemed not to contain that provision.

(vi) If any provision of these Articles is or becomes inconsistent with the Listing Requirements, these Articles are deemed not to contain that provision to the extent of the inconsistency."

3. <u>Article 3</u>

THAT the existing sub-clause (2) in Article 3 which reads as follows:

"Paragraph 1 of this Article shall be subjected to the following restrictions, that is to say:

(a) No director shall participate in a share scheme for employees of the Company unless the shareholders in general meeting have approved of the specific allotment to be made to such Director and unless he holds office in the Company in an executive capacity provided always that a non-executive Director may so participate in an issue of shares pursuant to a public issue or offer for sale;

(b) No issue of preference shares shall be made which would result in the total nominal value of issued preference shares exceeding the total nominal value of the issued ordinary shares at any time;

(c) No shares shall be issued at a discount except in compliance with the provision of Section 59 of the Act; and

(d) The rights attaching to shares of a class other than ordinary shares shall be expressed in the resolutions passed creating the same."

be amended by deleting the existing sub-clauses (a) and (b) in its entirety and substituting with the following new sub-clause (a) and the existing sub-clauses (c) and (d) be re-numbered as sub-clauses (b) and (c):

"Paragraph 1 of this Article shall be subjected to the following restrictions, that is to say:

(a) No director shall participate in a share scheme for employees of the Company unless the shareholders in general meeting have approved of the specific allotment to be made to such Director;

(b) No shares shall be issued at a discount except in compliance with the provision of Section 59 of the Act; and

(c) The rights attaching to shares of a class other than ordinary shares shall be expressed in the resolutions passed creating the same."

4. <u>Article 57</u>

THAT the existing sub-clause (4) in Article 57 which reads as follows:

"In addition, at least fourteen (14) days notice of meetings or at least twenty-one (21) days for a meeting where any special resolution is to be proposed or where it is an annual general meeting shall be given by advertisement in at least one national daily newspaper and in writing to the Stock Exchange."

be amended by deleting the word "national" and inserting the words "**nationally circulated Bahasa Malaysia or English**" after the word ".....by advertisement in at least one" in last sentence and the amended sub-clause (4) shall read as follows:

"In addition, at least fourteen (14) days notice of meetings or at least twenty-one (21) days for a meeting where any special resolution is to be proposed or where it is an annual general meeting shall be given by advertisement in at least one **nationally circulated Bahasa Malaysia or English** daily newspaper and in writing to the Stock Exchange."

5. Article 74

THAT the existing Article 74 which reads as follows:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings or Members or classes of Members, each Member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person present who is a Member or representative or proxy of a Member shall have one (1) vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds."

be amended by inserting the words "who has the right to vote" after the words "....other duly authorised representative" but before the words "shall have one (1) vote for each share he holds." in last sentence and the amended Article shall read as follows:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings or Members or classes of Members, each Member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person present who is a Member or representative or proxy of a Member shall have one (1) vote, and on a poll every Member present in person or by proxy or by attorney or other duly authorised representative **who has the right to vote** shall have one (1) vote for each share he holds."

6. Article 89

THAT the existing Article 89 which reads as follows:

"The Directors may from to time appoint one (1) or more of their body to be Managing Director and/or Executive Directors upon such terms as they think fit, and may vest in such Managing Director and/or Executive Directors such of the powers hereby vested in the Directors generally as they may think fit and such powers may be made exercisable for such period or periods, and upon such conditions, and subject to such restrictions, and generally upon such terms as to remuneration and otherwise as they may determine, and may, from time to time revoke, withdraw, alter, or vary all or any of such powers but subject thereto, such Managing Director and/or Executive Directors shall always be under the control of the Board of Directors. Where the Managing Director is appointed for a fixed term, the term shall not exceed five (5) years."

be amended by changing the word "five (5)" to "**three (3)**" in last sentence and the amended Article shall read as follows:

"The Directors may from to time appoint one (1) or more of their body to be Managing Director and/or Executive Directors upon such terms as they think fit, and may vest in such Managing Director and/or Executive Directors such of the powers hereby vested in the Directors generally as they may think fit and such powers may be made exercisable for such period or periods, and upon such conditions, and subject to such restrictions, and generally upon such terms as to remuneration and otherwise as they may determine, and may, from time to time revoke, withdraw, alter, or vary all or any of such powers but subject thereto, such Managing Director and/or Executive Directors shall always be under the control of the Board of Directors. Where the Managing Director is appointed for a fixed term, the term shall not exceed **three (3)** years."

7. Article 93

THAT the existing Article 93 which reads as follows:

"Subject to these Articles, at each annual general meeting one-third (1/3) of the Directors for the time, or if their number is not a multiple of three (3), the number nearest to one-third (1/3) with a minimum of one (1), shall retire from office and an election of Directors shall take place provided always that each Director (except the Managing Director) shall retire at least once in every three (3) years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or not. An election of Directors shall take place each year."

be amended by deleting the words "**Subject to these Articles**" at the beginning of the Articles and "**(except Managing Director)**" in the first sentence and the amended Article shall read as follows:

"At each annual general meeting one-third (1/3) of the Directors for the time, or if their number is not a multiple of three (3), the number nearest to one-third (1/3) with a minimum of one (1), shall retire from office and an election of Directors shall take place provided always that each Director shall retire at least once in every three (3) years but shall be eligible for re-election. A Director retiring at a meeting shall retain office until the close of the meeting whether adjourned or not. An election of Directors shall take place each year."

8. Article 115

THAT the existing Article 115 which reads as follows:

"The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Subject to these Articles, questions arising at any meeting shall be determined by a majority of votes. In the case of any equality of votes the Chairman shall have a second or casting vote except where only two (2) Directors are competent to vote on the question at issue. Directors may participate in a meeting of the Directors by means of a conference telephone or similar electronic tele-communicating equipment by means of which all persons participating in the meeting can hear each other and participates throughout the duration of the communication between the Directors and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting."

be amended by inserting the words "**two (2) Directors form a quorum and only such a quorum is present at the meeting or**" immediately after the words "casting vote except where" in the third sentence and the amended Article shall read as follows:

"The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Subject to these Articles, questions arising at any meeting shall be determined by a majority of votes. In the case of any equality of votes the Chairman shall have a second or casting vote except where **two (2) Directors form a quorum and only such a quorum is present at the meeting or** only two (2) Directors are competent to vote on the question at issue. Directors may participate in a meeting of the Directors by means of a conference telephone or similar electronic tele-communicating equipment by means of which all persons participating in the meeting can hear each other and participates throughout the duration of the communication between the Directors and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting."

9. Article 121

THAT the existing sub-clause (1) in Article 121 which reads as follows:

" A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any personal interest and if he should do so his vote should not be counted, nor shall be counted in the quorum present at the meeting, but neither of these prohibitions shall apply to:

(a) any arrangement for giving any Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or

(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security."

be amended by substituting for sub-clause (1) the following:

"A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any interest and if he should do so his vote should not be counted, nor shall be counted in the quorum present at the meeting."

10. Article 136

THAT the existing Article 136 which reads as follows:

"The Directors shall from time to time in accordance with the provisions of the Act and the Listing Requirements cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, financial statements, group accounts (if any) and reports as may be necessary provided always that the interval between the close of the financial year of the Company and the issue of the annual audited financial statements, the Directors' and auditors' reports shall not exceed six (6) months."

be amended by changing the word "six (6)" to "**four (4)**" and the amended Article shall read as follows:

"The Directors shall from time to time in accordance with the provisions of the Act and the Listing Requirements cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, financial statements, group accounts (if any) and reports as may be necessary provided always that the interval between the close of the financial year of the Company and the issue of the annual audited financial statements, the Directors' and auditors' reports shall not exceed **four (4)** months."

11. Article 143

THAT the existing Article 143 which reads as follows:

"A notice or any other document under these Articles may be given by the Company to any member either personally or by sending it by post to him in a prepaid letter addressed to him at his registered address in Malaysia appearing in the Register of Members or the Record of Depositors or (if he has no registered address within Malaysia) to the address, if any, within Malaysia supplied by him to the Company for the giving of notices to him. Only members described in the register of the Record of Depositors shall be entitled to receive any notice from the Company. Any notice or other documents if served or sent by post, shall be deemed to have been served or delivered three (3) days after the time when the letter containing the same is put into the post, and in proving such service or sending it, it shall be sufficient to prove that the letter containing the notice or document was properly addressed or put into the post as a prepaid letter."

be amended by changing the words "three (3)" to "**one (1)**" in the third sentence and the amended Article shall read as follows:

"A notice or any other document under these Articles may be given by the Company to any member either personally or by sending it by post to him in a prepaid letter addressed to him at his registered address in Malaysia appearing in the Register of Members or the Record of Depositors or (if he has no registered address within Malaysia) to the address, if any, within Malaysia supplied by him to the Company for the giving of notices to him. Only members described in the register of the Record of Depositors shall be entitled to receive any notice from the Company. Any notice or other documents if served or sent by post, shall be deemed to have been served or delivered **one (1)** day after the time when the letter containing the same is put into the post, and in proving such service or sending it, it shall be sufficient to prove that the letter containing the notice or document was properly addressed or put into the post as a prepaid letter."

12. Article 145(3)

THAT the existing Article 145(3) which reads as follows:

"On the voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it shall have been ratified by Members. The amount of such payment shall be notified to all Members at least seven (7) days prior to the meeting at which it is to be considered."

be amended by substituting the word "ratified" in the first sentence with the word "**approved**" and the amended Article shall read as follows:

"On the voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it shall have been **approved** by Members. The amount of such payment shall be notified to all Members at least seven (7) days prior to the meeting at which it is to be considered."

mTouche™
mTouche Technology Berhad
(656395-X) (Incorporated in Malaysia)

Form of Proxy

No of Shares Held

I/We ____ (BLOCK LETTERS)

NRIC No./Company No. ____ of

____

being (a) Member(s) of MTOUCHE TECHNOLOGY BERHAD (656395 X) hereby appoint ______________________

____ of

____

or failing him, THE CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held at Greens II, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Friday, 18 May 2007 at 10.00 a.m. and at any adjournment thereof and to vote as indicated below:-

	FOR	AGAINST
ORDINARY RESOLUTION 1		
ORDINARY RESOLUTION 2		
ORDINARY RESOLUTION 3		
ORDINARY RESOLUTION 4		
ORDINARY RESOLUTION 5		
ORDINARY RESOLUTION 6		
SPECIAL RESOLUTION 7		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this .... day of ...., 2007

____
Signature / Seal of Member

Notes:

(a) A member shall be entitled to appoint up to two (2) proxies to attend and vote at the same meeting. Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. A proxy may but need not be a member of the Company and the provisions of Section 149 (1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or at the hand of an officer or attorney duly authorised.

(b) The instrument of proxy shall be deposited at the Registered Office of the Company, 312, 3rd Floor Block C Kelana Square, 17 Jalan SS7/26, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time for holding the meeting.

(c) Form of Proxy sent through facsimile transmission shall not be accepted.

please fold here

Affix stamp here

The Company Secretary

MTOUCHE TECHNOLOGY BERHAD

(656395-X)

312, 3rd Floor, Block C

Kelana Square

17 Jalan SS7/26

47301 Petaling Jaya

Selangor, Malaysia

please fold here